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Correspondence

respecting

BRITISH COMMONWEALTH AFFAIRS

PART 1

1945 and 1946

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CORRESPONDENCE RESPECTING BRITISH COMMONWEALTH AFFAIRS

PART 1.—1945 AND 1946

CHAPTER I.—AUSTRALIA

[W 15969/753/68]

No. 1

*Mr. Hankinson to Viscount Addison.—(Received in Dominions Office,
6th November.)*

*Office of the High Commissioner
for the United Kingdom,*

Canberra, 29th October, 1945.

(No. 644.)

My Lord,

WITH reference to my despatch No. 534 of the 27th August, I have the honour to report as follows:—

Parliament.

2. One of the longest Parliamentary sessions on record ended on the 5th October. Parliament has met almost continuously from February to the beginning of October and the session has been one of the most strenuous Parliament can have experienced. It has seen the death of a Prime Minister, three Prime Ministers have been in office during the session, the European war and the Japanese war have ended, and although the session got off slowly the volume of legislation which has been passed can hardly have been exceeded by any other Parliament. The new legislation included: (i) The Commonwealth Bank Act, which strengthened the Central Banking functions of the Commonwealth Bank and under which the Commonwealth Bank Board was abolished but the governor retained. (ii) The Banking Act, under which the trading bank functions of the Commonwealth Bank were expanded and the Commonwealth Bank given powers of control over private trading banks. (iii) The Australian National Airlines Act, under which the Commonwealth Government propose to acquire inter-State airlines and operate them themselves. (iv) The Re-establishment and Employment Act, prescribing the measures for the resettlement and rehabilitation of service personnel. (v) The Charter of United Nations Act approving decisions of U.N.C.I.O. (vi) The Life Insurance Act, introducing uniformity into the insurance law of the Commonwealth and States. (vii) The War Gratuities Act. (viii) The Commonwealth and State Housing Act. (ix) The Social Service Contributions Act, providing for a percentage of taxation from all income earners to be devoted to social services. (x) The Matrimonial Causes Act—a step towards uniform divorce laws in Australia. (xi) The War Crimes Act, setting up machinery for the trial of Japanese war criminals. Important debates were held on army matters, the Government's White Paper on Unemployment Policy, and on Immigration.

3. When Parliament resumed on the 29th August, after a month's adjournment, the main debates dealt with the ratification of the U.N.C.I.O. Charter, post-war migration, lend-lease negotiations and plans for dealing with post-war wool stocks. It was announced that Dr. Evatt and Mr. Beasley would

go to London, the former immediately, and the latter at the end of the year. The announcement stated that Dr. Evatt would act as Australian Minister in London in the interval between the expiry of Mr. Bruce's term in October and the arrival of Mr. Beasley, and its terms suggested that Dr. Evatt would attend the Council of Foreign Ministers. Dr. Evatt has since proceeded to Washington in connexion with the Allied Far Eastern Advisory Commission for Japan.

4. The latter part of the session was devoted to the debate on the budget. Perhaps it was the length of the session which made this debate the shortest on record.

5. The Advisory War Council, representative of all parties until the United Australia (now the Liberal) party withdrew its members last year, held its final meeting on the 30th August. When the two former representatives of the Liberal party (Messrs. Hughes and Spender) remained on it as independents the Council became representative only of the Government and the Country party. The Prime Minister had indicated that he was willing to maintain the Council in being to assist in solving transition problems from war to peace but the initiative for disbandment was taken by the Country party. Following the disbandment of the Council Messrs. Hughes and Spender applied for and were granted re-admission to the Liberal party from which they were expelled when they refused, in 1943, to withdraw from the Council in obedience to a party decision. What has been generally regarded as one of the obstacles to closer harmony between the Country party and the Liberal party has thus been removed.

Political.

6. The inaugural meeting of the Liberal party's Federal Council, which was held in Sydney, has issued a general statement of policy, the need for which has long been apparent. The daily press has commented that such dissatisfaction as may be felt with the Government's policy has not crystallised into support for the Liberal party for the "plain reason that the new organisation has so far failed to capture the popular imagination or even soundly establish itself" (*Sydney Morning Herald*, the 29th August). It was pointed out that although the business of the party in opposition is criticism, criticism and admonition are not enough, and that first and foremost the party aspiring to office must have its own positive programme to put before the people.

7. The main points of the programme set out in the statement are:—

Employment.—Work for all in a free society; co-ordination of Government activity and individual initiative to encourage the full development of long-term employment; in every way to encourage the increase of production through a carefully planned public works programme, a suitable taxation policy, and an assured freedom for private enterprise to expand and develop.

Social Security.—A contributory scheme for all social security benefits with no means test, and the encouragement of supplementary voluntary schemes as well as Government schemes.

Rehabilitation.—Effective preference in housing and employment for all who have been in the services; assurances that those not incapacitated shall not suffer economically for their absence from civil life, and adequate pensions for those who are incapacitated.

Housing.—To ensure sufficient man-power and materials for home building and to make certain that non-essential building should not take place to the detriment of the basic needs of the community.

Taxation.—An all-round reduction with consideration to the problem of the family taxpayer.

Primary industries.—Stabilised and guaranteed prices, improvement of rural wages and living conditions and the development of the amenities of rural life.

Education.—Reforms including increased facilities for secondary, rural, technical and university training and adult education. The Commonwealth should financially assist the States.

International Affairs.—Increasingly close collaboration between Australia and Great Britain and other British countries. The Liberal party supports Australian participation in the World Charter.

8. Whilst the statement has been welcomed, the party's well-wishers suggest that it is high time that the admirable general principles should be crystallised into a practical party platform.

Premiers' Conference.

9. The chief criticism of the Premiers' Conference, which met in Canberra for a week in mid-August, was that it lacked perspective, and was unable to adjust itself to the larger view of Australia as a whole instead of approaching all problems through the narrow portals of the separate States. During the war, when the Commonwealth has assumed powers in many fields in which negotiation with the States would otherwise have been necessary to secure common action, the importance of this conference has been considerably diminished. Its importance will revive with the need for reaching agreement concerning the continuance of war-time controls which are based on National Security Regulations. The sudden cessation of hostilities found the members of the conference unprepared to take their place in the first vital political conference to plan "the new Australia." As two of the States, Victoria and South Australia, have non-Labour Governments, and two Labour Governments, West Australia and Tasmania, are opposed to non-Labour Upper Houses, certain difficulties were manifest in working out a post-war programme assured of the support of seven Parliaments. Nevertheless, decisions were reached on several outstanding matters. Price control is to remain a Commonwealth prerogative for three years, controls over building materials will be retained while they remain in short supply, but will be administered eventually by the States instead of the Commonwealth. A joint Commonwealth State authority is to be set up to allocate material not produced in all States. A proposal that the Commonwealth should pay only one-fifth of the cost of rail gauge unification, estimated at £76 million, was objected to so strongly by the Premiers that it was withdrawn and it was decided that a conference on the allocation of the cost of this project would meet later to discuss the question. In the meantime, the conference unanimously agreed that preliminary work on unification should begin immediately.

10. Sitting as the National Works Council the conference considered a post-war programme of public works scattered throughout the Commonwealth. Agreement on soldier settlement was reached. A definition for a soldier settler was accepted, and it was decided that soldiers from the Allied nations, especially the United Kingdom and the United States, who may wish to migrate to Australia should be able to take advantage of the settlement schemes.

11. The retention of uniform taxation was strongly opposed by Victoria, but the Prime Minister made it clear that the Commonwealth was neither able nor willing to retreat from the position of financial authority over the States. The *Daily Telegraph*, of the 24th August, said that the Prime Minister "talks good common sense when he tells rebellious State Premiers that the people don't want to abandon uniform taxation . . . uniform taxation is only a machinery to convenience the taxpayer and ensure that the burden of maintaining Australia is equitably spread."

12. A vexed question which arose at the Premiers' Conference and which has arisen several times since was the precise meaning of the "end of the war." The Commonwealth Solicitor-General has said that the National Security powers would continue for six months after the peace is officially declared. This view is being contested by some of the States and outside legal opinion is divided. Mr. David Maughan, K.C., says: "The difficulty of maintaining this position, either as a matter of law or of common sense, has already been pointed out, but it may be emphasised by referring to events that have occurred in London only this week. This country was at war with Italy, a nation which completely surrendered to its opponents some two years ago . . . and subsequently fought side by side with us against our enemies. But the discussion of the peace treaty with Italy, because of difficulties with Russia, will probably be postponed indefinitely. So . . . it seems we are still engaged in war with Italy, a statement which is absurd . . ."

State Governors' Powers.

13. The question of the powers of State Governors has again been the subject of discussion as a result of the situation which arose in Victoria when Mr. Dunstan's composite Government was defeated by the combined votes of the Labour party, five members of the Liberal wing of the Government and two members of the Country party. Mr. Dunstan took the constitutional course of asking the Governor (Sir Winston Dugan) for a dissolution, which was granted, but the dissolution was delayed to give Parliament the opportunity of granting the supply necessary for the interim period of the elections. Parliament would

not agree to this, whereupon the Governor invited in turn the leaders of the various parties to form a Government, but none were able to do so. A stop-gap Government was then formed, which was granted supply.

14. The Melbourne press generally has commended the Governor for the way in which he handled this crisis. The *Melbourne Argus*, the 4th October, says "a political crisis of the first magnitude was prevented from producing dangerous constitutional results by the constitutionally correct, yet from every angle humanly considerate, firmness with which the Governor dealt with the difficult situation—in fine, the British way. Launched into troubled waters without warning, his Excellency had due regard for the Constitution and for established practice in political crises; for the rights of the people as a whole and of the servants of the State in particular; for the legality of his own position—The King must do no wrong, nor may his representative; and for the legitimate feelings of the defeated Premier who, despite certain political failings, had done nothing to merit dismissal from office by The King's representative—a fate to which some of his political adversaries had hoped to subject him. . . . The Governor backed his knowledge of the Constitution and of what was required of him with personal firmness and impeccably patient tact He has shown himself to be one of the great pro-consuls, and that is a matter for satisfaction in this State, and particularly at this time. The British way of life and its proper exposition was never more important than in this immediate post-war world."

Industrial.

15. Clouds are thickening in the industrial atmosphere and storms are threatening from various directions. The dislocation of employment caused by the change over from war to peace-time industry is one reason. Discontent with the basic wage which has been pegged during the war is another. The Australasian Council of Trade Unions has demanded a general forty-hour week and an increase in the basic wage to £5 4s. per week. The forty-hour week is essential, it is claimed, because it will enable the hours of labour to be adjusted to the increased productivity of the nation; assist the reabsorption of Australia's demobilised servicemen into industry; and enable the workers of Australia to live a fuller life and enjoy the benefits of increased leisure.

16. The minimum wage demanded is largely what has been earned during the war years, made up by war-time payments, including the war loading of from 2s. to 6s. introduced in 1942. The demand for an increased basic wage is sympathetically treated in the press and is actively urged by the *Sydney Daily Telegraph*, which is running a campaign for "lifting the standards of living in Australia." The papers generally agree that the much-increased cost of living makes it practically impossible for the family of a basic wage-earner to have fruit and vegetables and many other common food-stuffs which are regarded as the ordinary necessities of life.

17. The vast problem of economic adjustment involved in transferring workers from highly paid war-time jobs to civilian jobs operating on lower awards has also aggravated the demand for increasing the basic wage, which was fixed in 1937. Between 1939 and 1944 the national income increased from £750 million a year to about £1,300 million. Since 1942 the wage-pegging regulations have prevented an increase. The change over from war-time industry to peace-time production has also raised the problem of the worker who is temporarily unemployed during this period of transition. It has, therefore, been decided that all adult workers so placed are to be paid £2 10s. a week during the unemployment period. Dissatisfied with the procedure of the Arbitration Court, unions are demanding that the Government should use its National Security powers to declare a new basic wage, *i.e.*, that it should override the legal machinery built up over many years for adjusting wages after economic and judicial investigation.

18. In the meantime, strikes are widespread in New South Wales, the most serious being at the Bunnerong power plant, from which most of Sydney's supply of electricity is drawn. The strike was started following a decision by the Sydney County Council that shift-work must be introduced to ensure proper servicing of the plant. Sydney was for a time almost deprived of electric light and power and large numbers of workers found themselves unemployed. The men had previously defied court decisions and also an order issued by the Prime Minister on the 19th May last under National Security Regulations. The Prime Minister intervened eventually and arranged a settlement under which the men returned to work on pre-strike conditions and the dispute is referred to a legal tribunal. Having regard to the attitude of the men to previous decisions of legal tribunals, this decision is regarded as a victory for direct action and the *Sydney Morning Herald*

says "delivery from chaos has been purchased by the simple device of surrender to the strikers It is a staggering blow to the arbitration system."

19. Other strikes during the month have been on the coalfields, meat works, among wire workers, steel works, printers and metropolitan transport in Brisbane and Melbourne. All the various aspects of industrial unrest get much prominence in the press, which frequently describes the situation as one of anarchy. The coal situation is so bad that rationing is scheduled to commence shortly. The Government have now announced that if "legal and practical difficulties" can be overcome the output of New South Wales coal mines will be acquired by the State for a period of five years.

20. The Prime Minister's apparent weakness regarding the industrial unrest has lost him a lot of support from the press, who now feel that he is allowing himself to be dictated to. The *Daily Telegraph* of the 4th September points out that the Prime Minister's job is to keep the militants of the trade union movement in line. "He must realise that his Government will fail in its job and damage Australia gravely by its failure if it cannot maintain peace in industry." This was most noticeable during the strike of Indonesian seamen, who refused to load ships sailing to the Netherlands East Indies. Wharf labourers joined the Indonesians' cause from sympathy, and Mr. Chifley's attitude of *laissez faire* caused an outcry based largely on the fact that these striking waterside workers were apparently dictating Australia's foreign policy towards the Dutch in the Netherlands East Indies.

Education.

21. There are signs of an awakening in the educational field in Australia. In 1944 a committee of Commonwealth officers reported on the need for a Commonwealth body to co-ordinate educational activities and a Commonwealth Office of Education was established, to which a new director has recently been appointed, Professor R. C. Mills, the chairman of the Universities' Commission. The Commonwealth Education Bill recently introduced into Parliament provides for the permanent establishment of a Commonwealth Education Office, stabilises the position of the present Universities' Commission (which has been arranging the quota system for admission to the universities throughout the war and organising financial assistance to suitable students), and provides for the university training of discharged members of the forces and other educational purposes.

22. The function of the Commonwealth Office of Education is "to advise the Minister on matters relating to education to establish and maintain a liaison on matters relating to education with other countries and the States to arrange consultation between the Commonwealth authorities concerned with matters relating to education and to undertake research relating to education." The office is also to provide statistics and information relating to education and to give advice regarding grants of financial assistance.

23. The Universities' Commission will continue to administer a scheme of financial assistance. New students are to be accepted for financial assistance for at least five years, up to and including 1950. During this period discussions can take place with the States and a permanent arrangement for financial assistance can be reached. The financial assistance will not only apply to prescribed students but will be used to help in re-establishing discharged members of the armed forces. A provision of the Bill considered of importance is that which arranges for the setting up of committees of advice in the various States by the Universities' Commission.

24. The abolition of the student quota regulations which have been in force during the war and the large numbers of ex-servicemen who are expected to qualify for university courses will lead to a vast expansion of university education in Australia. Sydney University is expecting to double its present enrolment number of 3,650, the additions being mainly ex-servicemen and women. The university expects to be able to handle the influx of new students and has arranged temporary buildings to accommodate them. Melbourne University, however, is expecting to have to continue a policy of selecting students, as it is unable to provide further accommodation at present.

25. These developments are indicative of the growing conviction that the standards of education in Australia demand attention. This is possibly far truer of elementary education than it is of higher education, and it remains to be seen to what extent Commonwealth intervention in this matter will stimulate State education authorities to action to improve the educational facilities in rural areas which is the outstanding need at the moment.

26. The vice-chancellor of Melbourne University, Mr. J. D. G. Medley, has urged the increase of facilities for post-graduate study between Australia and other countries on a two-way basis. Through the French Minister in Australia (M. Pierre Augé) the French Provisional Government has recently offered ten scholarships to the Australian universities to enable selected students to pursue their studies for a year in France. University officials hope that there will be a reciprocal gesture from the Australian Government and that it will make similar offers to other countries, to the United Kingdom and the United States as well as to France. This question of exchange scholarships is one of the matters which were explored by Sir Angus Gillan, of the British Council, on his recent visit to Australia and it is a matter which might be pursued with advantage either by the British Council (which already offers certain facilities to Australian students for scholarships in the United Kingdom) or by some other suitable body.

Social Insurance.

27. In my despatch No. 192 of the 28th March, 1945, I referred to a warning issued by the Prime Minister to the Labour caucus that a halt would have to be called to the rapid increase in social services on a non-contributory basis if there was to be any relief in taxation. Up to the present one non-contributory scheme of social insurance after another has been introduced until future liabilities have been piled up which the National Welfare Fund is quite unable to meet. It is estimated that social insurance benefits will cost £77 million in 1946-47 compared with £17 million paid out for similar purposes before the war. The National Welfare Fund having been found inadequate to meet these charges, the Government have in the recent budget provided for a "social services contribution," the maximum of which will be 1s. 6d. in the pound (subject to the same deductions from income as are allowed for the purposes of calculating income tax). The lower ranges of income will be free from income tax but subject to Social Services Contribution, and in the higher ranges of income part of the amount at present payable as income tax will in future be payable in the form of Social Services Contribution. This follows the practice in New Zealand, but there the whole community receives the benefits for which it pays, in Australia a means test is imposed. The retention of this limitation with the imposition of a special social insurance contribution has aroused widespread public criticism and a demand for the abolition of the means test has been made. This would involve an additional expenditure of £35 million, and since this sum represents more than 20 per cent. of the present yield from income tax its provision from revenue would not merely cancel out the 12½ per cent. relief which Mr. Chifley has promised, but would necessitate the imposition of further burdens. Such a reversal of taxation trends would not only be politically impracticable but economically disastrous, and the anomaly which has been created by the manner in which the Labour Government has developed social services can only be resolved by putting the social insurance system on a contributory basis.

Migration.

28. The statement by the new Minister of Immigration (Mr. Caldwell), enclosed in my despatch No. 525 of the 23rd August, was debated in the House of Representatives on the 29th and the 30th September. There was general agreement on both sides of the House that migration was one of the most serious and pressing problems facing Australia, and that the future security of this country and its place in the world depends upon an increased population. As Mr. Menzies said in the course of his speech "upon the possibility of our securing a substantial migration to Australia during the next thirty years will depend not only the preservation of Australian independence but also the prospect of advancement of social benefits in Australia." It was absurd, he said, for Australia to claim to be a "principal Power in the Pacific" so long as her population was only 7 million, and to pretend to describe herself "in real terms as an independent Power when we are dependent upon other communities for our very existence and safety." As regards social benefits, he pointed out that "Australia is an ageing community, so that in the next thirty years we may find ourselves with a vastly increased number of those who will depend upon the community" with a steadily increasing burden upon a static number of people.

29. The merits of migration being beyond argument, the debate largely turned on the Government's decision to delay migration until "we first guarantee economic security to our own people." This was criticised by the Opposition on the ground that if Australia waited until all her own domestic and economic

problems have been solved, the opportunity of securing migrants will be lost. Mr. Menzies called for a more adventurous policy. "We should not think of migrants as competitors; we must think of them primarily as assets and as those who, by becoming consumers, will themselves stimulate production in this country, not as those who are coming here to snatch jobs or to take a business."

30. Both in Parliament and press the view is still being expressed that conditions in Europe especially during the coming winter will lead to a wide-spread desire to emigrate and that now is the time to launch migration schemes. In regard to children, it is now realised that all talk of bringing 50,000 children to Australia in the next few years is far beyond the mark. Many members urged the immediate extension to migrants on arrival of all social security benefits.

31. On behalf of the Government the position was maintained that little could be done to bring migrants to Australia until pressing domestic questions were settled, and that no risks should be taken with the security of Australians or of the migrants themselves. Upon one point all speakers agreed, viz., the maintenance of the White Australia policy, regarding which various bodies have recently been expressing some doubts. The General Assembly of the Presbyterian Church is the latest to advocate that Asiatics should be allowed to settle in Australia under a quota system. Archbishop Mannix has declared that it was unfortunate that by a crude insistence on the White Australia policy in its present form Australia had given coloured peoples cause for resentment. "It will not be good for us or for them," he said, "if there is an uncontrolled rush of coloured races to Australia but, by admitting a reasonable quota, we can surely make it plain to our coloured friends that there is no colour bar in Australia."

32. The Minister of Immigration has stated that the advice which is being given to intending migrants by Australia House—that it will be two years before there can be any movement—agreed with Government policy. The factors causing delay were shipping shortages, demobilisation plans, and the housing shortage. Migrants could not be brought to Australia until rehabilitation was near completion and the housing problem near solution.

Overseas Representation.

33. Mr. Beasley's appointment to become Resident Minister in London on the retirement of Mr. Bruce has at last ended the speculation as to who was to receive this appointment. No appointment has yet been made to Washington, but it is explained that this is not due to keen Cabinet rivalry for the position but to the hesitancy to weaken further the Government. The appointment of Professor Copland, who has recently resigned the position of Prices Commissioner which he has filled throughout the war, to a high diplomatic post overseas, generally supposed to be Minister to China, has been announced. Professor Copland, who will be known in London as the result of his visit last year, still occupies the position of Economic Adviser to the Prime Minister.

34. Mr. J. D. L. Hood, formerly External Affairs Liaison Officer in London, and recently Acting Secretary of the Department of External Affairs, has been appointed chargé d'affaires of the Australian Legation which is being established with the Netherlands Government.

35. The new Secretary of the Department of External Affairs is Mr. W. E. Dunk, an assistant secretary in the Treasury (Defence Division) and Director of Reciprocal Lend-Lease. Mr. Dunk had barely taken over the Department when he was despatched to Washington to be available for lend-lease discussions.

36. The first consular appointment made by the Commonwealth Government has been announced. Mr. C. V. Kellway (formerly in the office of the Australian Trade Commissioner in New York) has been appointed consul-general for Australia in New York.

37. The Brazilian Government has appointed Senhor Oscar Correia as its minister to Australia. Senhor Correia is a career diplomat who has served in the United Kingdom, the United States and Japan.

38. I am sending copies of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and the United Kingdom representative, Dublin.

I have, &c.

W. C. HANKINSON.

Statement to the House of Representatives on Foreign Affairs by the Rt. Hon. H. V. Evatt, Minister for External Affairs, 13th March, 1946.

Introduction.

I PROPOSE to report to the House on the results of my two recent missions to London and Washington. I propose to invite consideration of recent and significant trends in world affairs. The period since VJ-day has been one of great historical importance. I think it is now recognised that, during this period, the status and prestige of Australia in international affairs have been dramatically increased.

In September last, immediately after I had brought down the Bill for the adherence of Australia to the Charter of the United Nations, I was chosen by the Government to undertake a special mission to London in connexion with the Council of Foreign Ministers. On the same mission, I also represented Australia on the Executive of the Preparatory Commission of the United Nations in London. Subsequently, the Far Eastern Commission had important preliminary sessions at Washington, and I attended all these meetings.

An account of these missions requires a reference both to the European peace settlement and to that with Japan. First, I shall refer to the European settlement.

European Peace Settlement.

Potsdam.—At Potsdam in July last it was decided by the three major Powers to set up a council of five Foreign Ministers, representing the United Kingdom, U.S.S.R., United States, France and China. This council was to undertake the task of preparing the terms of peace with Italy and the satellite enemies in Europe. Part of the Potsdam decisions were worded with some degree of ambiguity. It gradually became clear, however, that there was no fixed intention on the part of the three major Powers to call together a general peace conference representing all the smaller nations who had contributed substantially to the Allied victories in Europe. For a time it seemed likely that the conclusions or recommendations of the Council of Foreign Ministers would settle all basic issues affecting the general European peace settlement.

Australian Policy.—The Australian Government was unable to acquiesce in this method of approach to the peace-making. Our policy with respect to Europe was, and is, founded on three basic principles, which we are resolved to maintain—

First.—Australia, as a belligerent in the European War, was entitled to participate fully in decisions relating to the European peace settlements. I need only point to the fact that Australian fighting men have participated in two great European wars within a generation, and that ever since 1939 our nation and our fighting men have paid a heavy toll in the fight against Hitlerism and Fascism. The establishment of a just and democratic peace in Europe is essential to the security of Britain and all British dominions. In that sense we cannot contract out of Europe.

Second.—Throughout the period of the war, we have accepted loyally the special position of the three major Powers in the control and direction of the war in Europe. We continue to recognise that these Powers have a special responsibility for the maintenance of peace throughout the world. Therefore, they are entitled to exercise special rights. Their leadership is accepted. At the same time there was a duty to bring other directly interested belligerents into consultation on important peace arrangements, especially those affecting territorial adjustments. During the war, this principle was sometimes departed from. Notable examples are the Cairo declaration affecting the Pacific, and the arrangements made at Yalta granting the Soviet Union territorial concessions in the Far East in anticipation of it entering into the war against Japan. In neither case was there any prior consultation with belligerents outside the Big Three. I presume that no Australian can be found to justify such a procedure except upon the doubtful ground of urgent military necessity.

Third.—We consistently maintain the right of all active belligerents to a full share in the framing of the peace. Those who have contributed substantially to victory are entitled to make a corresponding contribution to the peace. This is the only fair and democratic method of making the peace; and a just method of making a peace settlement is as important as the settlement itself.

Meeting of Council of Foreign Ministers.—Consequently, the proceedings of the Council of Foreign Ministers at London became of crucial importance in determining the procedure for the settlement of peace in Europe. The British Prime Minister, Mr. Attlee, fully recognised this. He stressed the need of constant and continuous personal consultation between the United Kingdom Government and Australia, and invited our Prime Minister, Mr. Chifley, to nominate a special representative to speak on behalf of Australia in connexion with these great matters.

The task having been entrusted to me, I arrived in London and remained there until late October. My main objective was to obtain support for the policy I have described and to suggest a practical procedure for achieving that policy, either by enlarging the membership of the Council of Foreign Ministers, so as to include other belligerents, or by having it expressly laid down that all the deliberations of the Council were to be regarded as merely preparatory to a peace conference at which all active belligerents would be entitled to attend.

The views and submissions of Australia were joined in both by New Zealand and South Africa. They were publicly supported by Canada. As one consequence of the action of the four Dominions, Australia, New Zealand and South Africa attended several small sessions of the Council dealing with the Italo-Yugoslav frontier and with the problem of Trieste. So also did Yugoslavia and Italy. Opportunity was taken by me to submit to the Council the views of the British Dominions to the effect that the Council's deliberations should be regarded as merely preliminary to a full peace conference for Europe, representing all the belligerents.

The views tentatively put forward by Australia at the Council were, firstly, that, in view of the . . .

Consultation with British Commonwealth Governments.—During the whole of the Council's deliberations there were continuous and frequent consultations with Mr. Attlee, Mr. Bevin and Lord Addison. Not only did other Dominions support the stand taken by Australia in claiming a right to full participation in the determination of a European settlement, but we were given substantial backing by the British Government.

Moscow Decisions.—Before leaving London, I was satisfied that my mission had been substantially accomplished. Not only Britain, but also the United States and the U.S.S.R. were prepared to support the request for the holding of a peace conference of all the Allied belligerents in the struggle against the Axis Powers. Subsequently, the Foreign Ministers of the United Kingdom, United States and U.S.S.R. at the conference held at Moscow during the second half of December agreed upon the holding of a European peace conference which in principle complied with our demands. The procedure laid down is as follows:—

In the first place the terms of the proposed peace treaties with European enemies will be drafted by the countries who are deemed to be signatories of the respective surrender terms. This means that the Italian treaty will be drafted by the United Kingdom, the United States, the Soviet Union and France; the treaties with Roumania, Bulgaria and Hungary by the United Kingdom and the United States and the Soviet Union; and the treaty with Finland will be drafted by the United Kingdom and the Soviet Union. Secondly, the Peace Conference is to be held at Paris during the month of May 1946. It will be composed of the five members of the Council of Foreign Ministers together with all other members of the United Nations which actively waged war with substantial military forces against European enemy States. These nations comprise Australia, Belgium, Byelorussia, Brazil, Canada, Czechoslovakia, Ethiopia, Greece, India, the Netherlands, New Zealand, Norway, Poland, South Africa, Yugoslavia and Ukraine. In all twenty-one belligerents in the European war will be represented at the Paris Conference.

After the Peace Conference, and in the light of its recommendations, the final texts of the treaty will be drawn up by the States which prepared the first draft and which I have already named. In each case the final texts will then be signed by representatives of those States attending the Peace Conference which are at war with the enemy States in question. The texts will then be submitted to the members of the United Nations which have declared a state of war with the enemy States in question, but which, not being active belligerents, are not entitled to attend the Peace Conference.

Far Eastern Commission.

Australian Vital Interests in Japanese Settlement.—After completing my work in connexion with the Council of Foreign Ministers, I proceeded to

Washington in order to attend the opening meeting of the Far Eastern Commission. The general plan for the constitution of this commission was agreed to previously in London, and the procedural suggestions which I made both to Mr. Bevin and Mr. Byrnes were provisionally adopted. While I fully acknowledge the lead given by these two statesmen, Australia can justly claim to have taken a considerable share in the initiative which has resulted in the new Far Eastern armistice administration, and in the machinery for the planning of peace with Japan by more democratic and just procedures.

From Australia's point of view, the problem of a European settlement can never be regarded as so important or immediate as that of the settlement with Japan. The constant concern of the Australian Government must be to ensure that the treatment of Japan in defeat is such that she will not a second time rise as an aggressor by the methods perpetuated by Germany in 1939 after six years of almost open preparations for war; it is not that we seek revenge against Japan's atrocious acts, we seek justice, and we must strive for security against further aggression.

In relation to Japan we have held to the democratic principle we have invoked in relation to Europe; that is, that the nations which have made a substantial contribution to the defeat of enemy Powers should also take a direct and active part in the armistice and the peace arrangements. After a preliminary skirmish, the proposal to exclude Australia and other belligerents from the armistice ceremony was promptly abandoned. Subsequently the Government has worked increasingly to ensure that, in the case of Japan, Australia will not only have a full opportunity to be heard and to participate in the peace making, but will play a principal part both in peace policy and armistice administration.

Four years ago, at the request of the Australian and New Zealand Governments, a Pacific War Council was established in Washington so that the principal belligerents associated in the war against Japan would be enabled to consult at the highest level not only on the question of war supplies for the Pacific theatres, including Australia, but also in preliminary considerations for the future peace settlement with Japan. The Pacific War Council well fulfilled its functions in relation to the provision of supplies for the South-West Pacific. In addition, Australia consistently pressed for the creation of an Allied body to continue the work of the Pacific partners in relation to the post-war period. Australia, therefore, warmly welcomed the willingness of the United States, expressed after VJ-day, to establish a policy-making body for Japan, such a body being intended to include not only the United States, the United Kingdom, and the U.S.S.R. and China, but also Australia, New Zealand, and the other active belligerents against Japan. Because of the importance of Far Eastern and Pacific policy to Australia, I attended all the meetings in the first session of the commission at Washington.

Success of Democratic Procedures.—It was my belief that the early sittings of the commission could demonstrate that final agreement could be reached if there was complete frankness, goodwill and untiring devotion by all representatives to the task in hand. The commission began its work in an atmosphere of doubt and uncertainty. Members had no set terms of reference. The proposed constitution and powers were vague. There was inadequate preparation. The Soviet Union refused to participate at all until the questions of the Control Council at Tokyo and that of the veto claimed by her, were firstly settled. In spite of this, there was no less than ten nations represented on the commission including three major Powers. The representatives settled down to hard work, and the heads of subjects upon which basic policy decisions were first required were agreed to. Ultimately, this determination to make the commission work produced results. We established a basic policy committee, which did me the honour of electing me as chairman. At the end of five weeks devoted almost entirely to consideration of basic policy in relation to Japan in the light of the Potsdam Declaration, the commission reached a stage where all ten representatives had unanimously agreed that the conclusions of the policy committee were fit for consideration and decision by the Governments concerned. In the circumstances, this was, I submit, a considerable achievement. It proved that in relation to the Japanese settlement international co-operation on a democratic basis could be effective.

Australian Proposals.—During the first phase of the commission's work The Australian delegation assumed much of the initiative. It made a large number of proposals on basic policy. The greater part of Australia's proposed amendments received the general approval of the ten representatives. The basic document on which amendments were based was the United States policy

directive unilaterally declared in the form of an earlier instruction from the President to the Supreme Commander.

The main purposes of the Australian amendments to the directive were to emphasise the importance of bringing about the establishment of a truly democratic and peaceful Government in Japan, to see that under the new régime individual liberties and civil rights would be protected without sham or pretence, and to secure the destruction of the economic bases of Japan's military strength.

We sought to stress the principle of the Potsdam Declaration requiring the total elimination of militarist influence and the removal from positions of influence in business as well as political life of Japan, all those who had led the people of Japan into aggressive warfare. In addition, we sought that the Potsdam principle of punishing war criminals should be rigorously applied: we advocate that, as an important factor towards achieving real democracy, the right and freedom of association in workers' organisations should be a cardinal principle of Allied policy in Japan. We maintained that the large industrial and financial combines, known as the Zaibatsu, should be dissolved as incompatible with the achievement of democracy: and that industries which could be used for war purposes should be eliminated.

Establishment of Far Eastern Commission and Allied Council for Japan.—Until such time as the Far Eastern Commission make definite its policy for Japan, General MacArthur, as Supreme Commander for the Allied Powers, is controlling Japan within the framework of the existing post-surrender policy directive issued to him by the United States Government which, directive, as I have pointed out, was the basic document of the Washington policy committee and a good deal of which is contained in the policy document tentatively approved by the commission at Washington in December last. This directive flows from the Potsdam Declaration which, it should be remarked, in an expression of Allied policy, and has not been made into an agreement with Japan.

Since the first Washington Sessions, the Far Eastern Commission's constitution has been revised by the three Powers represented at Moscow in December last. The Far Eastern Council has ceased to be purely an advisory body. It was agreed at Moscow that the commission, with headquarters at Washington, will formulate and determine policy. The Allied Council for Japan, with headquarters at Tokyo and under the chairmanship of the Supreme Commander for the Allied Powers, will consult and advise General MacArthur on the implementation of the commission's policies.

Australian Status in Pacific Councils.—The status which has been gradually accorded to Australia in these Pacific Councils is sufficiently proved by three important appointments of distinguished Australians; first, that of General Northcott as leader of all the British Commonwealth occupational forces in Japan; second, that of Mr. Macmahon Ball, representative on the Allied Council not only of Australia but of United Kingdom, New Zealand, and India as well; third, that of Sir William Webb, Australia's War Crimes Commissioner, as president of the Allied Tribunal for the trial at Tokyo of Japanese major war criminals.

The appointment of an Australian, on Australia's nomination, to represent not only Australia but other Governments of the British Commonwealth, including the United Kingdom itself, is a development of great importance. At the time of the Balfour Declaration of 1926, equality of status in international affairs between the United Kingdom and each of the self-governing Dominions was asserted. But this principle was stated to be modified in practice by dissimilarity of functions in relation to matters of defence and foreign relations. In other words, the *theory* of equality was subject to the *practice* of inequality. I need not trace here the rapid development in practice of Canada's and Australia's activities in the international field between 1926 and 1946. It is sufficient to suggest that an entirely new concept in British Commonwealth relations is now emerging. This concept tends to reconcile full Dominion autonomy with full British Commonwealth co-operation. The same principle involves the possibility of a Dominion acting in certain regions or for certain purposes on behalf of the other members of the British Commonwealth, including the United Kingdom itself. This is evidence that the machinery of co-operation between nations of the British Commonwealth has now reached a stage where a common policy can be carried out through a chosen Dominion instrumentality in an area or in relation to a subject matter which is of primary concern to that Dominion. This principle is capable of extension and suggests the possible integration of British Commonwealth policy at a higher level by a new procedure. Its importance is very great and may rapidly increase. We

appreciate the full support we have received from the British, New Zealand and Indian Governments and also from the United States Government in these significant arrangements in relations to Japan.

Visit of Commission to Japan.—Mindful of the importance of framing policy in keeping with the realities of the Japanese situation, the Far Eastern Commission has just completed a mission to Japan. Australia was represented by a member (Mr. Forsyth) and three advisers. The commission had opportunity for personal observation and consultation with General MacArthur. It has been able to examine the implementation of existing policy since the end of the purely military phase of the surrender. As a result the commission will be in a far better position to put the finishing touches to the policy declaration to which I have referred.

The commission met for the first time as a formally constituted body with specific powers at Washington on the 26th February. There is now full Russian participation. The valuable preliminary work and findings of the various sub-committees set up under the Advisory Commission should greatly shorten the time necessary to arrive at those decisions on basic policies for which the control machinery in Japan is waiting.

The Veto.—One disturbing factor in the situation, however, is that the decisions of the commission are still subject to the veto of any one of the four major Powers. This was decided at Moscow when Russian participation was arranged. The Australian Government has maintained its strong opposition to this veto procedure, which in our view is quite inapplicable in principle to such matters as determining policy in execution of principles already agreed to in the Potsdam Declaration. We have informed the United States Government that we are keenly disappointed at the introduction of a veto, especially after the early commission meetings, which proceeded smoothly by open and democratic methods. We are apprehensive that the exercise of this veto may hamper the commission's work. Australia will continue its endeavours to make the commission effective by building on the foundation work accomplished through the unanimity of the representatives of the ten Pacific Powers.

The United Nations.

A key point in the foreign policy of Australia is enthusiastic and sustained activity in all aspects of the work of the United Nations. Admittedly the constitution of that organisation has certain defects. These we stressed at the proper time. At San Francisco, however, the rough and inadequate draft plan of Dumbarton Oaks was greatly improved and I make bold to claim that there is no responsible public man who does not fully and generously recognise Australia's valuable contribution to the process of improvement effected at San Francisco.

I do not wish to quarrel over words, but I think it is quite erroneous to describe the United Nations Organisation merely as an "experiment." On the contrary, it is the best presently available instrument, both for avoiding the supreme and ultimate catastrophe of a third world war, waged with all-destroying weapons, and also for establishing an international order which can and should assure to mankind security against poverty, unemployment, ignorance, famine and disease. The United Nations, in the conception of that great man, Franklin Roosevelt, existed to help realise the twin objectives of freedom from fear and aggression and freedom from want. We shall continue steadfastly and courageously to play our part in this organisation, on which must rest most of the hopes of men of goodwill throughout the world.

Development of the United Nations.—Last session this House had before it the Bill to approve the Charter of the United Nations. What was then merely a plan on paper has, in a few short months, become an organisation in being. Of the six principal organs of the United Nations, three—the General Assembly, the Security Council and the Economic and Social Council—have now met, organised their work and dealt with many problems. The International Court of Justice has been elected and will meet next month. The secretariat is already being recruited and organised. Practical steps are now being taken to bring the only remaining organ, the Trusteeship Council, into being as soon as possible.

At the conclusion of the San Francisco Conference arrangements were made for the establishment of a Preparatory Commission and an Executive Committee of the commission. This Executive Committee, of which Australia was a member, met in London from the 16th August to the 27th October, 1945. While in London I represented Australia on this executive, Mr. Paul Hasluck acting as my deputy both before and afterwards. A great deal was done to fill out the framework of the organisation. The task of the committee was mainly preparatory, such as

drafting rules of procedure, preparing agenda, making recommendations for the various committees and commissions required by the General Assembly and the Economic and Social Council, and elaborating plans for the organisation of the secretariat. But what the Executive Committee accomplished in so short a time was of great value in making possible the first meetings of the United Nations as early as January 1946.

The full Preparatory Commission met in London from the 24th November to the 23rd December, 1945. Its task had been facilitated by the work of the Executive Committee. The first part of the first session of the General Assembly of the United Nations opened at Central Hall, Westminster, London, on Thursday, the 10th January, 1946. In the planning by the Preparatory Commission it had been assumed that this first meeting would deal almost exclusively with constituent and other formal matters. As the meeting progressed, however, it dealt with a number of matters of substance—matters of vital importance to international affairs.

Assessment of First United Nations Meetings.—The Australian delegation was led by my colleague, the Minister for the Navy and Munitions, the Hon. N. J. O. Makin, who will be making his own report to the House. First of all, let me pay tribute to him and his colleagues for their able and untiring devotion to the mission to which they were assigned. I especially congratulate Mr. Makin on his election as first president of the Security Council. The fact is that, despite the forecasts of the sceptics and the men of ill-will, the United Nations is now successfully launched. Right at the outset the General Assembly and the Security Council had to face up to several acute problems arising out of the aftermath of World War II. Several of the problems which came before the Security Council involved differences between some of the Great Powers themselves. There were critics who said that to bring such difficult issues before the United Nations at this stage would imperil the organisation and therefore they should be shelved. Consistently with our attitude at San Francisco, Australia strongly opposed any such side-tracking. We considered that, if differences between Powers, great or small, become acute, they should be brought into the open before the appropriate organ of the United Nations, discussed in the open and openly settled in accordance with the governing principles of justice and international law laid down in the Charter. From this point of view it is a most hopeful sign that, though the peace settlements strictly so called are outside the scope of the United Nations, so many problems arising directly out of war-time conditions should have been brought for adjustment in the United Nations rather than reserved for small secret conclaves or for some *ad hoc* Allied organisation.

Not all the issues brought before the Security Council have been finally settled. But the methods used in the effort to conciliate them have been those of frank public discussion and not those of the secret diplomacy and open power politics of the Munich days. No one can deny that the Security Council in the first few weeks of its life was put to a strenuous test. It faced up to that test and, as it gathers experience, will prove more and more capable of applying the principles of justice laid down in the Charter.

Election to the Security Council.—From our point of view the great feature of the London meeting of the General Assembly was the election of Australia to one of the three senior positions as non-permanent member of the Security Council. At San Francisco we joined with Canada in the struggle to lay down in the Charter the principle that, in the election of non-permanent members, the contribution of a nation to security should be a primary criterion. On this footing Australia was, in my view, clearly entitled to election in recognition of her outstanding contribution to the overthrow of tyranny in both world wars. Canada had a claim of equal validity and, in my view, both countries should have been elected. As it was, Australia was elected and Canada made a graceful gesture to us in supporting Australia's election at the final ballot.

I was pleased to hear from my colleague, Mr. Makin, that the Foreign Ministers of many countries, with whom we had worked personally over long periods at San Francisco and at London, had given steady support to Australia despite the organisation of a powerful "ticket" which would have excluded us from election, notwithstanding our indisputable claims. However, all's well that ends well. I freely confess that I am deeply gratified at the great tribute thus paid by the United Nations to the objectives of Australian policy in war and in peace, and, above all, to the outstanding part the members of our fighting services have played in two world wars. Having regard to all the circumstances, I regard the honour achieved by Australia, which also places a heavy responsibility upon us, as a culminating point in the carrying out of an external policy based upon principles openly proclaimed and vigorously

pursued, not only in the interest of Australia and the British Commonwealth, but in a long and sustained attempt to carry into effect the great objectives of the United Nations laid down in the Atlantic Charter and other international instruments, especially the United Nations Charter and the agreement between Australia and New Zealand. A study of the terms of this agreement will show how marked an effect both countries have had in relation to some vital subjects dealt with in the agreement. From first to last New Zealand has been steadfast. We could scarcely have been elected to the Security Council without Mr. Fraser's vigorous advocacy.

Functions of the Security Council.—The Security Council is not yet organised for its supremely important function of directing the collective force of the United Nations to maintain international peace and security. That function will require the negotiation of the world-wide network of special military agreements contemplated by article 43 of the charter. This task will be the main preoccupation of the Security Council during the next year. In the meantime the main functions of the Security Council will be the settlement and adjustment of international disputes by means of consultation and conciliation. It can prove an effective instrument for these purposes, providing that each of the five permanent members carries out its undertaking impliedly given at San Francisco, and refrains from exercising its veto oppressively or capriciously. As is well-known, the policy of Australia was to deny the validity of the veto procedure in relation to the processes of peaceful settlement, as distinct from the processes of enforcement. In my view, some of the recent proceedings at London have demonstrated the soundness of the view advanced by Australia at San Francisco.

Relief.—The United Nations Conference at London has already recognised the principle I have repeatedly stressed, that peace is not merely the absence of war, but depends upon freedom from want and unemployment. The General Assembly and its Economic and Social Council gave urgent consideration to the grave world-wide grain shortage. They have taken steps to plan the relief of this shortage by collective action. In addition, further support will be given for the emergency relief supplied by U.N.R.R.A. It was also decided that a special international conference on trade and employment should be called for the purpose of giving detailed consideration to the two great objectives included in the charter, largely as the result of Australian initiative at San Francisco—viz., higher standards of living and full employment.

The Press.—I would emphasise that almost all the meetings recently held in London were open to the press, and so far as possible to the public. This is in keeping with the true spirit and purpose of the charter. The charter seeks to establish between the nations good fellowship and mutual understanding—or, to use an expressive Australianism, a “fair go for all.” Much depends on free and public interchange of ideas and opinions. The more public the deliberations of the United Nations, the closer and better informed will be the interest of its peoples. And the best protection against any return to the discredited methods of secret diplomacy, and the power politics of the appeasement decade, is the constant vigilance of an intelligent public opinion in every country.

Trusteeship.

Here I must deal with the vexed question of trusteeship, which may affect the status of Australia's mandated territory of New Guinea. There seems to be in some quarters a misapprehension about the system of trusteeship under the new charter. No one appreciates more than I do the pioneer work done in relation to New Guinea by Mr. Hughes at Versailles in 1919. His anxieties as to the possible status of New Guinea under the new charter are quite baseless. I shall do my best to make this crystal clear.

Chapters XII and XIII of the United Nations Charter provide for the establishment of an international trusteeship system. The object of this system is to promote the welfare of the inhabitants of non-self-governing territories, their social, political and economic development, and their advancement towards self-government or independence. There is to be an expert Trusteeship Council, responsible primarily to the General Assembly of the United Nations, in order to supervise the due performance, by the authorities administering trust territories, of their obligations under the charter. The trusteeship system is to apply to such non-self-governing territories only as are placed under the system by voluntary agreements, concurred in by the States directly concerned and approved by the General Assembly.

The Preparatory Commission of the United Nations recommended that the General Assembly should call on the States administering territories under mandate from the League of Nations to undertake practical steps, in concert with the other States directly concerned, for implementing article 79 of the charter (which deals with the negotiation and approval of trusteeship agreements), and thus inaugurating the trusteeship system. There are sound reasons for inviting the present mandatory States to take this initiative. They do not claim to possess the legal sovereignty of the mandated territories, or to be able to dispose of them as their own without restriction. On the contrary, though they exercise the exclusive right to administer the territories concerned, they do so subject to an existing system of international accountability, *i.e.*, the mandatory system.

Having regard, however, to the differences between the mandate system under the League and the trusteeship system under the United Nations, the charter fully safeguards the position of the mandatory States. First, article 77 declares in effect that it will be for subsequent agreement to determine which mandated territories shall be brought under the trusteeship system. Second, article 79 provides that the terms upon which a mandated territory is brought under the trusteeship system must be agreed to by the mandatory State. Thirdly, article 80 lays down in substance that, pending the conclusion of a trusteeship agreement in respect of a mandated territory, nothing in the charter shall alter in any way the rights existing under the mandate.

Declarations by Mandatory States.—After an exchange of views with the United Kingdom Government and other Governments of the British Commonwealth, the Government of Australia made the following announcement on the 17th January, and authorised this communication to the General Assembly of the United Nations:—

“The Australian Government, mindful of the obligations which the charter imposes on all members of the United Nations administering non-self-governing territories, and conscious of its responsibility as a trustee for the peoples of the mandated territories administered by it under the Covenant of the League of Nations, announces its intention of negotiating an appropriate trusteeship agreement with a view to bringing the mandated territory of New Guinea under the international trusteeship system contemplated by Chapters XII and XIII of the United Nations Charter. At the same time it announces a similar intention in regard to the territory of Nauru. Both the United Kingdom and New Zealand Governments, with whom Australia shares this mandate, concur in this course of action.”

The Governments of the United Kingdom and of New Zealand made similar declarations with respect to their own mandated territories.

Terms of Trusteeship.—In the announcement I have quoted, I emphasise the words “an appropriate agreement.” The initiative rests with Australia. The existing “C”-class mandate will naturally provide the basis for the new agreement. It goes without saying, therefore, that, in order to be acceptable to Australia, the new agreement must, like the present mandate, designate the Government of Australia as the exclusive administering authority in the territory. Like the present mandate, it must also permit the territory to be administered as an integral portion of the territory of Australia and under Australian laws, subject, of course, to the general duty laid down in the charter and also contained in the mandate to promote the welfare and advancement of the inhabitants.

In referring to the States with which trusteeship agreements are to be negotiated, the charter itself uses, but does not define, the phrase “States directly concerned.” In the course of discussions as to the necessary parties to the agreements the view of the Australian Government has been made quite plain. In my view, the States directly concerned are those States only which have an interest recognisable by international law in the sovereignty control or disposition of a territory.

Advantages of Trusteeship System.—I draw attention to one vital difference between the mandate system under the League and the new trusteeship system under the United Nations. The terms of the mandates expressly prohibit the fortification of the territories. The assumption was that the mandated territories must be kept out of the system of collective security envisaged by the covenant. The charter of the United Nations rests on the opposite principle. It expressly declares that territories brought under the trusteeship system are to play their appropriate part in the security arrangements to be established under the charter. To this end it provides that the trusteeship agreement may designate the whole

or any part of a trust territory as a strategic area. In bringing the Australian mandated territories under the trusteeship system, opportunity will accordingly be taken to eliminate a negative feature of the mandate system which in the past proved to be a grave danger to Australia.

We shall accordingly ask for the right to establish bases, in the interest of the security of Australia and of the South-West Pacific area. It was the provision in the existing mandates prohibiting any fortification which helped to give the Japanese so great an advantage in the early stages of the Pacific war. Despite assurances given to this Parliament by the Government of the day, it is certain that in their own mandated territories the Japanese established naval and military bases in flagrant breach of the mandate; and they did so with impunity.

Australia's past record as a mandatory is clear. We have nothing to fear from bringing out future administration under the similar review of the new Trusteeship Council, the functions of which will be only advisory. To do so will provide additional safeguards for the welfare of the inhabitants of the territories concerned. It will also, as I have explained, have important strategic advantages for Australia itself, and for our neighbours who are also concerned in maintaining the security of the South-West Pacific region.

Other Dependent Territories.—The charter of the United Nations not only provides for the establishment of the trusteeship system, but also contains provisions that are applicable to all non-self-governing territories. For chapter XI places all members administering non-self-governing territories under an obligation to treat the interests of the inhabitants as paramount, to promote their well-being, and to ensure their political, economic, social and educational advancement. This chapter XI is already in force. It is in no way dependent on the bringing into being of a Trusteeship Council. Further, all members administering territories covered by this charter undertake to transmit regularly to the Secretary-General, for information purposes, and subject to such limitation as security and constitutional considerations may require, statistical and other information of a technical nature relating to conditions in the territories concerned. The General Assembly has called special attention to the obligations of members under chapter XI, and has requested the Secretary-General to include in his annual report to the General Assembly a summarised statement of the information he receives under this chapter.

Economic and Social Planning.

Trade and Employment Conference.—The United States Government, after consultation with representatives of the United Kingdom Government, has submitted "Proposals for Expansion of World Trade and Employment" and the setting up of an International Trade Organisation for consideration by Governments in preparation for an International Conference on Trade and Employment.

The International Trade Organisation is to be part of the international machinery already established, or in the process of creation, for the promotion of the objectives of the charter, full employment and higher standards of living. This organisation is to be brought into permanent relationship with the Economic and Social Council of the United Nations Organisation, and the council will sponsor the convening of the conference, and has constituted a preparatory committee to elaborate a draft convention for consideration by the conference.

The proposals recognised the principle consistently advocated by the Australian Government at previous international discussions that high and stable levels of employment are necessary conditions for an enlarged volume of trade, and that there should be an undertaking by each signatory nation to take action designed to maintain full employment.

The International Trade and Employment Conference which is provisionally scheduled for late 1946 is to be preceded by a preliminary conference between fifteen countries, including Australia.

U.N.R.R.A.—During 1945, in spite of difficulties caused by war commitments and drought conditions, procurement of supplies for U.N.R.R.A. went steadily ahead. More than £7 million of Australia's first contribution has already been earmarked, principally for raw wool, manufactured woollen goods and surplus service stocks. U.N.R.R.A.'s needs in the current year will be much heavier than in 1945, and considerable funds will be required to meet those needs. Consequently, along with the United States, United Kingdom, Canada and New Zealand, the Australian Government decided to make a second contribution. Owing to the difficult supply position in Australia this further contribution is

subject to agreement between U.N.R.R.A. and Australia as to the form the contribution will take.

The Fourth Meeting of the Council of U.N.R.R.A. will commence on the 15th March next. I stress that Australia is the fourth largest contributor to U.N.R.R.A. This is an excellent record. It is clearly desirable that Australia should be represented on U.N.R.R.A. bodies at the highest level. Accordingly at the forthcoming council meeting it is hoped that Australia will be elected to the Central Committee of the council, which we propose should be enlarged from six to nine members.

United Nations Educational, Scientific and Cultural Organisation Conference.—A conference for the establishment of an educational, scientific and cultural organisation of the United Nations was held in London on the 1st November, 1945. This conference was held in accordance with the recommendations of the conference of San Francisco, in order to promote the aims outlined in article 1, paragraph 3, of the charter of the United Nations.

Australia was represented by Australian educationists, Dr. E. R. Walker, Dr. H. S. Wyndham, and Mr. J. A. Seitz. Mr. Seitz is Director of Education in Victoria and was selected as adviser by the State Directors of Education.

The conference adopted as its basis of discussion a draft constitution prepared by the Conference of Allied Ministers of Education. In the final constitution evolved, provision was made that the organisation should come into being when the constitution has been ratified by twenty members. Pending the coming into force of the constitution, a preparatory commission has been set up and is at present meeting in London. It is making arrangements for the first session of the general conference of the organisation, probably in June.

In considering the site of U.N.E.S.C.O. Australia pressed for that of the United Nations, but it was resolved that Paris should be the headquarters. Australia favoured the close tie-up with the United Nations. It is proposed that U.N.E.S.C.O. should become associated with the United Nations as one of the specialised agencies referred to in article 57 of the charter. Effective co-operation is sought between the two organisations in the pursuit of their common purposes, but at the same time the autonomy of U.N.E.S.C.O. within the fields of its competence as definite in the constitution is recognised. The purposes of the organisation as laid down in the constitution stress the vital contribution which education and culture can make towards the first establishment of international peace. In recognising the importance of extending popular education and the spread of culture as a means of achieving international collaboration, Australia is taking her full share of responsibility by being a signatory to the U.N.E.S.C.O. constitution.

The United Kingdom Government has deposited its acceptance of the constitution of U.N.E.S.C.O., and hopes that the required number of twenty acceptances will be received in time to enable the first conference of the organisation to be held in the middle of 1946.

Food and Agriculture Organisation.—The first conference of the Food and Agriculture Organisation was held at Quebec last October, when the constitution was signed. The F.A.O. Conference affirmed its intention of working closely with other United Nations bodies—especially with the International Labour Organisation. It stressed the importance of securing improvement in the efficiency of distribution of food and agricultural products when it reported that “unless Governments adopt policies aimed at the minimisation of restriction, the maintenance of full employment, and a progressive expanding economy on a national and international scale, production and consumption of food will soon be out of step and the world will be faced with the recurrence of all the difficulties and frustration which marked the inter-war period.” To carry out its work the conference appointed committees dealing with nutrition, agriculture, fisheries, forestry, marketing and statistics. An Australian representative, Mr. F. L. McDougall, is acting as secretary-general of the organisation.

I.L.O.—The International Labour Organisation, which showed such resilience during the strenuous war years, when peacetime forms of collaboration in other social fields had collapsed, met again in October last. The I.L.O. is pressing on with its programme of social betterment; and re-examining its constitution so as to equip itself better for its future place among the new international organisations. At the last session both the Australian Government and the Australian Workers' representative, were elected to the governing body of the organisation. The Australian Government delegation to the I.L.O. consisted of Senator Fraser, Mr. Lawson and Mr. Haylen. I congratulate them on their work.

Economic and Social Council.—The Economic and Social Council of the United Nations, at its first session just ended set up committees to prepare the way for international organisation and co-operation in trade and employment policy; health matters; and treatment of refugees and displaced persons. Australia is represented on the Preparatory Committees for Refugees.

In my view the Assembly and the Council have already proved their value in the social and economic field. No other forum of equivalent standing existed, before January, where a crisis so alarming as the food situations in Europe and Asia, or a problem so difficult in its human and political aspects as that of refugees, could be fully and frankly debated.

The working methods of the Assembly and other organs of the United Nations have begun to emerge. In a subject like refugees, where deep differences appeared, discussion and agreement on broad principles were essential. This agreement having been achieved in the full Assembly of fifty-one nations, the Economic and Social Council, which is a smaller working body of eighteen, could proceed to tackle the technical and organisational tasks. This, I believe, is a good precedent.

Australia can take pride in being one of the main architects of the Economic and Social Council. At San Francisco the Australian delegation fought strong opposition to have the status of the body elevated, and to place real obligation upon it to foster better living standards and employment without which international agreements will mean little to the peoples of the world.

Pacific.

Introduction.—I now turn to several aspects of current Pacific questions. It is this area which will increasingly present the problems most immediate and vital to Australia. Australia is directly affected by events in Europe. But our stake in the Pacific is paramount. The Australian Government has never relaxed for a moment in its determination to see this country participate as a party principal in all the international decisions that affect this area. Our efforts have had considerable success, but they cannot be lessened without danger to our future. Australia stands to Asia, geographically and politically, in something of the same relationship as the United Kingdom to Europe. In such circumstances there is always a certain tendency to seek refuge in isolationism and baulk away from the problems that seem to have no obvious bearing on our way of life in this country. But like the United Kingdom in relation to Europe, Australia cannot afford to be insular in the Pacific.

By study of Pacific affairs, and through expansion of direct diplomatic and consular representation Australia is setting out to make her own assessments of the problems of the Pacific. By so doing we may speak with a fresh, direct and independent voice in the councils of Pacific nations. It is our wish and intention to play a dynamic part in achieving, as a member of the British Commonwealth, a world comity. It is our destiny and duty to play that part in the Pacific.

Bases.—When the immediate problems arising out of the armistice are being liquidated, the Allies are faced with the task of making a lasting peace settlement for the whole Pacific area. Australia as a principal Power in the Pacific is bound to play her part in ensuring that this vast area is not again ravaged by war.

The question involved are of great complexity and a satisfactory settlement will require the most careful and frank consideration by all concerned. The Australian Government has made known to its Allies in the Pacific its conviction that it would be highly undesirable to deal with these questions precipitately or in a piece-meal fashion.

In the first place, the Australian Government is fully conscious of the importance of making security arrangements in the Pacific. This is a matter in which account must be taken of the rights and interest of all the Allies, of the obligations attaching to membership of the United Nations, and of the welfare of the peoples of the Pacific who are not yet self-governing.

In particular, the Australian Government will not be party to any hasty arrangements for the reallocation of territory or the disposition of military bases in the Pacific. The Australian Government does not recognise the claim that the acquisition of territory by force of arms confers a right to the retention of that territory. Australian fighting men have contributed to the common cause of victory in Europe and the Middle East, as well as in the Pacific. Moreover, Australia is at least as vitally concerned as any other nation in ensuring that provision is made for the future security of the Pacific. Our experience in the war is fresh in our minds. We recall the anxious days when all the British, Dutch

and American bases to the north had fallen and the enemy was only just held back from Australia itself. The Government is very conscious therefore of its obligation to the people of Australia to ensure that such a threat never recurs.

The Government will enter into no commitments which will lessen the control of the Australian people over their own territories. Any consideration of plans for the joint *use* of any bases in Australia's dependent territories should be preceded by an over-all defence arrangement for the region of the Western Pacific, including the islands formerly mandated to Japan; as an incident of any such arrangement, Australia should be entitled to reciprocal use of foreign bases in the region, thus providing for an over-all increase in the security both of Australia and of all other United Nations with interests in the region.

The detailed means of implementing a security policy for the Pacific have yet to be decided, but this much is already apparent: Australian security is very largely dependent on our closest co-operation with the British Commonwealth and the United States. Any hindrance to the maximum degree of co-operation with either is contrary to the interests of all these countries. It should be added that regional arrangements for defence are not only permitted but encouraged by the charter so long as the objectives are in accordance with the principles of the United Nations.

Netherlands East Indies and the Indonesian Dispute.—Australia's policy in relation to the dispute caused by Indonesian demands for self-government is to assist in settlement of the dispute and to discourage acts of provocation and violence which, by accentuating bitterness, are calculated to prevent a just settlement. We have had special representatives in the Netherlands East Indies since VJ-day, including first Mr. Macmahon Ball and at present Mr. Keith Officer. Both representatives have kept in close consultation with the British Military Command, the function of which is solely to carry out the armistice arrangements. The lines of a possible settlement of the dispute are indicated in article 73 of the United Nations Charter, by which each member has undertaken to assist its dependent peoples to increase their rights of self-government. Under article 73 everything depends on the stage of political development which has been and can be reached by the peoples concerned. What is appropriate to one territory may be entirely inappropriate to another.

The most recent proposals of the Netherlands East Indies Government seem to me to mark a great advance towards a satisfactory settlement. While Dutch sovereignty is retained provision is made for a great increase in local self-government and the proposals also envisage the ultimate admission of an Indonesian Commonwealth into the United Nations. The Dutch proposals are expressly based on article 73 of the charter and our special representative in the Netherlands East Indies is doing what is possible to assist the special British political representative mediating between the parties with a view to a just settlement.

Australia has a vital interest in the preservation of the war-time friendship with the Dutch in relation to the Netherlands East Indies. At the same time it is important to do everything possible to establish good relations with the Indonesian and other dependent peoples of the world who are advancing towards a far greater degree of self-government. These have been actively encouraged by the declaration in the Atlantic Charter of 1941, to which all the United Nations subsequently subscribed. France has succeeded in making satisfactory settlements in relation to some of the peoples of Indo-China and it is to be hoped that a settlement will soon be reached in relation to the Netherlands East Indies.

Portuguese Timor.—Timor is of great importance to Australia. In enemy hands during the war this possession was a danger continually threatening the safety of Darwin.

In his statement of the 29th October, 1945, President Salazar of Portugal paid the following tribute to the achievements of Australian arms:—

“Some words are especially due to Australia. Apart from the efforts and sacrifices endured by the Australian Government for the defence of their land and the liberation of the territories occupied by the Japanese Empire, a liberation in which it took such a distinguished part by the side of the United States and England, and for which we are indebted to her, together with all other nations with dominions in those regions, the following must be recorded: Portugal cannot forget that Australian soldiers, killed in the war against Japan, lie in Portuguese lands in the Far East.”

He also reaffirmed his recognition of the common interests which bind Australia and Portugal in the Pacific, saying :—

“ In view of the proximity of our territories, our mutual interests and this reciprocity of services rendered and received in times of great difficulty and danger, a policy of mutual approach and close friendship will certainly evolve in the pursuit of common interests.”

The Australian Government, for its part, acknowledges with gratitude the assistance given by the people of Timor to our troops during the war, in many cases at the cost of savage retribution by the Japanese.

The early capitulation of the Japanese precluded the association of Portuguese and Australian forces in the struggle, but the common peril of the two nations has formed a secure basis for co-operation in the future. The Portuguese Government has accepted an Australian Consul in Portuguese Timor and arrangements are in hand for him to take up permanent residence at Dilli. We are watching with great interest the efforts of the new Administration to rehabilitate the colony after the devastation caused by the war. The shortage of shipping is a serious obstacle to be overcome but we hope to see an early development in trade between Timor and Australia. We look forward also to the conclusion, at an opportune time, of those agreements relating to defence and aviation which the Portuguese Government has already undertaken to negotiate with Australia.

Peace Negotiations with Siam.—The surrender of the Japanese was attended by a rapid change of front on the part of the Siamese Government. On the 16th August, 1945, the Regent, in the name of His Majesty the King of Siam and with the unanimous approval of the National Assembly of Siam, proclaimed the declaration of war made by Siam on the 25th January, 1942, against the United Kingdom to be null and void. The Regent's proclamation asserted that this declaration of war had been made contrary to the will of the Siamese people and in violation of the constitution and laws of Siam. The Siamese Government therefore repudiated the alliance with Japan on the 21st December, 1941, and all other treaties, pacts or agreements concluded between Siam and Japan. It also afforded assistance to the forces of the Supreme Allied Commander, South-East Asia; it surrendered British territories it had occupied in Burma and Malaya, and it caused the apprehension as war criminals of leading Siamese who had inveigled Siam into its unfortunate and disastrous association with Japan. Siamese Governments in office since the surrender of the Japanese have been disposed to co-operate fully with the Allies, and have sought to re-establish the relations existing before the war between the British and Siamese peoples.

That association, which we had hoped might have grown into a firm alliance between Australia and Siam during the late war, was shattered not by any action on our part or on the part of the United Kingdom, but by the acquiescence of the Siamese people in the domination of Siam by a group which made Siam a mere puppet in the hands of Japanese militarists, led Siam to declare war on Great Britain and finally obliged Australia to declare war on Siam.

The Australian Government has acted as a party principal in negotiations with the Siamese for the re-establishment of peace. When negotiations for peace agreements with Siam were resumed last December an Australian representative took his place alongside the United Kingdom representative in Singapore and placed our preliminary peace terms before the Siamese plenipotentiaries.

On the 1st January of this year, the Siamese representatives accepted both the preliminary British heads of agreement and the final peace agreement between the United Kingdom and India on the one hand and Siam on the other. Concurrently the Siamese accepted the preliminary peace terms or points of agreement put to them by the Australian governmental plenipotentiary. These preliminary terms had received careful consideration from His Majesty's Ministers in Australia and, after acceptance by the Siamese, were formally approved by the Government on the 18th January as the basis for a final peace agreement or settlement. The principles of the final settlement having been determined, the Government despatched Mr. Frank Keith Officer as Minister Plenipotentiary to Bangkok on the 22nd February to arrange for their formal acceptance by the Siamese.

Future of International Co-operation.

A realistic review of the international situation discloses so many unsolved problems that a considerable degree of pessimism is now sweeping the world. This pessimism has not been lessened by the temporary failure to solve at London

the problems of Persia, Greece or Indonesia. In no one of these cases did the Assembly initiate any discussions, and the Security Council's attention was devoted solely to the question whether international peace was being threatened. Other and deeper questions were involved, *e.g.*, a just Indonesian settlement, but these were deemed outside the jurisdiction of the Security Council.

What is the cause of the present pessimism? What are the facts? We are still in the middle of the period of transition from war to peace. The war is over in the sense that the enemy has given up resistance on the battlefield. The war, however, is not over in the sense that the catastrophic effects of the war are removed. Not all enemy forces have yet been disarmed. For instance, hundreds of thousands of Japanese troops still have to be transferred from territory to territory. Displaced civilian populations have still to be settled in the countries from which they came. On all hands is seen evidence of the physical destruction caused by the war. Cities have been devastated and transport systems disorganised. Food shortages have made the task of feeding even Allied populations a task of supreme difficulty. Above all, the Fascist enemy, defeated on the battlefield, is almost certainly organising underground for a future resurgence.

In these circumstances, it would be a miracle if the cessation of actual hostilities had given rise immediately to an era of peace and security. It is natural for populations which have suffered the privations of war to expect an immediate and dramatic improvement in their material conditions when hostilities cease. Actually, of course, such a sudden change is impossible. It is necessary that this should be fully understood in order to counteract any feeling of frustration or disillusionment because the fruits of victory have not yet been gathered.

Again, when hostilities cease, there is a tendency for Allied countries who have acted in almost complete unity during the war to become more aware of and to accentuate differences in outlook which by resolute and brilliant leadership have been submerged during the crisis of war. It is particularly easy to concentrate upon these points of differences and to accept them not only as vital, but as irremediable. In my view, this is a most dangerous attitude of mind. It can lead only to disaster if it is unchecked. I have in mind in particular criticisms of the Soviet Union without whose magnificent contribution complete victory over Hitler would have been either long delayed or impossible. While the British Commonwealth has fairly been said to have saved the Soviet Union in 1939 and 1940, equally the Soviet is claimed to have saved the British Commonwealth in 1941 and 1942. In truth, the unity in war-time of these Powers and the United States saved the world from Fascist dictatorship.

A chief factor which has created doubts as to the peaceful intentions of the Soviet Union is its expansion both territorially and in zones of special influence since 1939. The basic fact of expansion is undoubted. During the crisis of war both President Roosevelt and Mr. Churchill entered into agreements giving the Soviet Union considerable territorial gains not only in Western Europe but also in the Far East. Most of these arrangements for territorial expansion were made by the United Kingdom and the United States alone and without prior reference to their Allies. They were made primarily in the belief that the Soviet Union would be a trusted and peace-loving Ally, not only in time of war, but in time of peace. Surely that belief is not yet given up.

The real question is, not whether the Soviet Union territory and zones of influence have expanded, but what is the underlying intention and purpose of the Soviet Union? Is it to secure the political domination of other countries, or is it merely to protect Russia against any repetition of the so-called *cordon sanitaire* which united all reactionary influence in Europe against her during the period between the two great wars? Is it aggressive in substance, or defensive in substance? That is the great question. It will not be forgotten that in the Munich era of appeasement of Hitler and his Axis associates, there was the greatest inclination on the part of some Western democracies to isolate the Soviet Union and to hail Hitler as the saviour of civilisation against the so-called Bolshevik hordes. It is important to note that some of those who, between 1933 and 1939, first endured, then pitied and, finally, embraced Hitler and most of his works, are now to be found amongst those who are prepared to join forces at once against the Soviet Union without any important investigation as to whether its expansionist policy is aggressive or defensive in intent.

A second factor in the situation is the very recent application of atomic energy to warlike purposes. An agreement was made between Britain and the United States in relation to the new discovery, and in that arrangement the Soviet

Union was not included. Therefore, suspicion amongst the three major Powers is not confined to suspicion of Russia, but it includes also suspicion *by* Russia. Whether these suspicions are justified or not is beside the point. On the one hand, we know that on the part of the peoples of the British Commonwealth and the United States there is no aggressive intention against Russia, but the Soviet Union points to the long era of appeasement when their attempts to make the League of Nations an effective body were continued right up to the point of the virtual liquidation of the League at Munich. The period of mutual suspicion seemed to end either in June 1941, when direct aggression against Russia made her our ally, or in 1942, when the twenty-year treaty of friendship between Russia and Britain was signed at London.

Now having lived through the great period of war-time partnership which promised a permanent understanding between the three Great Powers on all fundamentals, one is presented almost daily with the monotonous question—does Russia intend aggression?

Having no clear evidence to the contrary, and having during the last four years come to know some of Russia's greatest statesmen, I take the view that the Soviet Union's policy is directed towards self-protection and security against future attack. In my opinion her desire is to develop her own economy and to improve the welfare of her peoples.

Whilst this pessimism with regard to relations with Russia seems to be unjustified, there is also widespread pessimism in relation to the activities of Fascist-led dictatorships in several other countries. Matters of essentially domestic concern do not usually come within the purview of the United Nations. Constitutional changes are expected to come from within a country. But it is equally true and recognised in the United Nations Charter that Fascist developments in any one country which are likely to cause a breach of international peace are a matter of concern to the Security Council and the United Nations and their jurisdiction over such developments is undoubted.

I believe in all these cases that first the facts and then the remedies must be sought through the United Nations, its Assembly and its Security Council. The greatest difficulty is to ascertain the facts of each dispute. So far no investigation has been undertaken by or under the authority of the Security Council. Temporarily, compromises have been made, but the full facts in relation to disputes or situations have not been elicited.

In these difficulties, the two most helpful signs are, first, the almost miraculous success of the Allies in the war, and second, the fact that in a short period of less than twelve months, the charter of a new world organisation has been created and the organisation itself has come into being. Fifty-one members of the United Nations have pledged themselves to support the principles laid down in the charter, and the work of putting the principles into practice has begun. By these principles all the nations undertake to refrain from aggression and to bring disputes before the United Nations for adjustment.

It is not difficult to find some flaws in the charter itself. Neither will it be difficult to prove that the machinery of the United Nations is not being used as effectively as it might. The important thing, however, is that a charter does now exist and that a world organisation has been set up under which the habit of international conciliation and consultation can and must be developed. It is the duty of all of us to encourage the habit of reference to the United Nations because frequent contact between its members will lessen active suspicion and gradually encourage positive confidence and trust. The recent speeches of Mr. Attlee and Mr. Bevin on the proceedings before the Security Council rightly emphasise the importance of personal contact and frank exchange of views as a step towards more complete understanding.

I do not suggest that this analysis gives any reason for complacency. On the contrary, I think that we need to remind ourselves constantly that the winning of the peace needs a sustained effort, probably no less than the winning of the war. Fascism, Hitlerism were not ended with the deaths of Mussolini and Hitler. They are insidious philosophies which we sought to overthrow during the war. In my opinion they have not been finally defeated either in international or in domestic affairs.

Australia has consistently maintained the view that the United Nations Organisation should be given the fullest possible support by each member. By this means, a collective world opinion can gradually be built up, and it may also be possible to avoid the establishment of rival *blocs* of Powers viewing one another through an atmosphere of distrust and suspicion. This policy will be pursued by Australia in the Security Council, where every effort will be made to ensure

full discussion of international disputes as and when they arise. In this respect the initial meetings of the Security Council were remarkably successful. There was free, full and frank discussion at which the public was present. Those who had claimed that the Security Council would meet in secret and avoid a public discussion were confounded by the event.

Even full and public discussion is not enough. Indeed, it may degenerate into mere assertion followed by mere counter-assertion, charges followed by counter-charges. There should therefore, in most cases, be a careful investigation of the truth of the assertions and the charges and a true assessment of the facts by the Security Council or other United Nations agencies followed by a just recommendation or decision. This procedure would be in accordance with the true spirit of the Charter of the United Nations. That is the organisation which was established by all its members for the very purpose of discouraging isolated or limited alliances in favour of collective action in accordance with the principles of justice and law laid down in the charter. The main purpose of the United Nations is security against war. With atomic energy being used for purposes of unlimited destruction a new world war would cause devastation almost beyond human imagination and would end modern civilisation as we know it.

Special prerogatives and privileges have been vested in the major Powers by the United Nations Organisation. Their mutual confidence is an essential feature of the new international order. Those who by a calculated policy sow distrust between them endanger the life of the United Nations. Those who endanger the life of the United Nations threaten our chief bulwark against a third world war.

[W 5754/140/68]

No. 3

Mr. Hankinson to Viscount Addison.—(Received in Dominions Office 11th May.)

(No. 234.)

My Lord,

Canberra, 30th April, 1946.

I HAVE the honour to report that the untimely death of the Minister for Trade and Customs, Senator the Honourable R. V. Keane, just as he was on the point of completing protracted negotiations in Washington over the termination of Lend-Lease, has opened a wide field for speculation on the likelihood of changes in the Federal Cabinet. It has created, also, an interesting, and for the Government a perhaps difficult, situation regarding the passage of the Referendum Bills through the Senate.

2. The late Senator had proved himself an able leader of the Government in the Senate. He was one of the "moderate" section of the Cabinet, which had already been weakened by the appointment of Mr. Beasley to be Resident Minister in London, and will be still further depleted when Mr. Makin takes up his appointment in Washington. Senator Keane's death is a great loss to the Commonwealth Government and particularly to the Prime Minister. The vacancy in the Cabinet is one that need not be filled before the next elections—probably in late September—and there is some suggestion that the Prime Minister may decide not to do anything about the vacancy until, and if, his party is returned to power. The actual vacancy in the portfolio of Trade and Customs has already been filled by the appointment thereto of the Minister for Post-War Reconstruction, Mr. Dedman, who has been acting for the late Senator Keane during his absence in the United States. It was necessary to make a substantive appointment at once, as apparently an acting Minister cannot continue to function when a Minister dies. All delegations, for example, from the Minister for Customs to the Controller-General of Customs and State collectors of customs, cease with his death.

3. In any case, nothing seems likely to be done about the vacancy until Mr. Chifley returns from abroad. He is due in Canberra about the 20th May, and it is expected that Parliament will reassemble about a week later. A Caucus meeting has been tentatively set for the day before the opening of the session and, if the Prime Minister decides to have an additional Minister, it will be the duty of Caucus to provide him with one by ballot. It is generally expected that, if another Minister is to be chosen, the Government would aim to retain the present balance (five Senators in a Ministry of eighteen) between the representation of the two Houses of Parliament and confine nominations in Caucus to Senators. In this event, the choice would seem to be between Senators S. K. Amour (New South Wales), J. I. Armstrong (New South Wales) and N. E. McKenna (Tasmania).

Senator Amour has been a member of the Senate since 1937 and chairman of the Standing Committee on Broadcasting since September 1943. He is understood to have secured a large number of votes at the meeting of Caucus held to choose a Minister to fill the vacancy caused by the death of the late Prime Minister, which was eventually filled by the selection of the Honourable H. V. Johnson, the present Minister for the Interior. Senator Armstrong was also elected to the Senate in 1937. He was a member of the Empire Parliamentary Association delegation to Great Britain and Canada in 1943 and was a personal assistant to the former Minister for Supply, Mr. Beasley, until the latter's appointment to London. Senator McKenna is a comparative newcomer, having been elected as recently as 1943, but he has been assisting Mr. Chifley in the latter's capacity as Treasurer for some time, and is said to be regarded by senior Ministers as an able lawyer and administrator. It is reported that, left to itself, Caucus would probably promote Senator Amour, Caucus policy traditionally being to fill Cabinet vacancies by seniority and on such a basis Senator Amour's claims being the strongest, but that the Prime Minister will seek the appointment of Senator McKenna, and that he will be supported by most members of the Cabinet and probably by Mr. Scullin, whose party influence remains very great. Moreover, if Senator Amour were elected (and this would apply also in the case of Senator Armstrong) New South Wales representation in the Cabinet would be increased to the unprecedented number of eight.

4. It has been reported in the press that two New South Wales members propose to move in Caucus for a complete Cabinet "spill" (a "spill" means that all Cabinet positions are declared vacant and fresh appointments are made). The majority of Caucus members would probably oppose such a move in view of the nearness of the elections. It is also known that the Prime Minister opposes any suggestion of a Cabinet "spill." It will be remembered that Mr. Chifley succeeded in avoiding it when he became Prime Minister, and it is known that he thinks that the party should go to the country as nearly as possible with the personnel of the present Ministry.

5. The position in regard to the passage through the Senate of the Referendum Bills may raise some difficulties for the Government. Under the standing orders of the Senate a twenty-one-day call has to be issued to the Senate for the third reading of a Referendum Bill. Owing to an oversight this requirement was overlooked and, in consequence, it was not possible for the three Bills to receive their third reading in the Senate, as had been hoped, before Parliament rose on the 11th April for the Easter recess. The Bills passed through all stages in the House of Representatives and all stages up to and including Report stage in the Senate and the Third Reading stage in the Senate had to be deferred until after Parliament reassembles at the end of May. Under the Commonwealth Constitution, Referendum Bills must be passed by an absolute majority of both Houses. In the Senate, with its thirty-six members, the Government must therefore assemble nineteen votes. Its majority before the death of Senator Keane was 22 to 14. It so happens, however, that three of the Labour party Senators are at present abroad, or are about to proceed abroad, on Government business. Senator Finlay (South Australia) is at an International Labour Office Steel Conference in Cleveland, Ohio; Senator Lamp (Tasmania) is about to leave for an International Labour Office conference at Seattle; and Senator Grant is about to leave for the Paris Peace Conference. The absence of these three Senators would reduce the Government vote to nineteen and, if the Victorian Houses of Parliament appointed in Senator Keane's place a Senator opposed to the Government, the latter might well have a problem on its hands. Moreover, another of the Labour party Senators, Senator Tangney (Western Australia) is at present in hospital and might not be fit to record her vote. In these circumstances, the Government may find it necessary to instruct either Senator Lamp or Senator Grant, or both of them, to remain in Australia; indeed, it was reported in the press that the latter had been stopped at the moment he was about to embark on the aeroplane for London. The Federal Cabinet are to meet to-morrow and will no doubt discuss the steps to be taken to ensure an absolute majority for the third reading of the Bills.

6. Selection of a candidate to fill the vacancy in the Senate will be decided at a joint meeting of the Victorian Legislative Council and the Legislative Assembly soon. The procedure is for the President of the Senate to advise the Governor of the State of the vacancy and for the Governor to communicate with the President of the Council and the Speaker of the Assembly, who will arrange for a joint conference of both Houses to fill the vacancy. The candidate will be elected by secret ballot. The Commonwealth Constitution does not make it

obligatory on the Victorian State Houses of Parliament to appoint a new Senator of the same political colour as the man he succeeds. It is being suggested in some quarters that there is an unwritten moral obligation for the State Parliament to do so. The fact remains that, with the two Victorian Houses voting together, non-Labour members predominate and they would be within their constitutional rights in returning a non-Labour Senator, though the State has a tradition of returning to the Senate a man of the same political party as the man whose death caused the vacancy. Whoever is selected will hold office until the next federal election, when he will have to go before the electorate.

7. I am sending a copy of this despatch to United Kingdom High Commissioners in Canada, New Zealand, the Union of South Africa, and to the United Kingdom representative, Dublin.

I have, &c.

W. C. HANKINSON,

Acting High Commissioner.

[W 6419/140/68]

No. 4

Mr. Hankinson to Viscount Addison.—(Received in Dominions Office, 12th June.)

(No. 182. Saving.)

Canberra, 7th June, 1946.

MAIN interest of the press has been in European situation, but conversations indicate that public is principally interested in domestic issues and the English rugby team.

Political.

1. The result of a by-election for the New South Wales Parliament, at which the Labour candidate retained the seat with a considerably reduced majority, is regarded as a hopeful augury by the Liberal party, but a Gallup poll shows that, during the last four months, there has been little change in support for the Labour party, which is steady at slightly under 10 per cent. below the level of the last election. Official survey of election prospects is that there is no sign of a major swing-away from Labour, although some borderline seats may be lost and a very big swing would be necessary to put the Labour party off the Treasury bench.

2. The parliamentary session resumes on the 18th June, and in view of the election it is likely to be brief. Broadcasting of parliamentary debates is to commence with the coming session and the press are objecting to broadcasting in a bowdlerised form, *i.e.*, to suit only the speaker of the moment and with interjections inaudible.

External.

3. Interest has been concentrated on Mr. Bevin's speech and the House of Commons debate, which advance reports suggested would be one of the most important in the life of the present Parliament. Prominence was given to week-end attacks by Russian press and radio on Great Britain and United States concerning United States threat to use peace conference as an instrument of pressure, the accusation that organised units of German army still exist in the western occupation zone, and the alleged attempts to isolate Russia. Baume, *Daily Mirror*, says that, in view of gravity of debate, observers in London consider dispersal of Empire Ministers was premature, because in next few weeks whole foreign policy of British Commonwealth might undergo a sudden change. Commentators during the week adopted a very gloomy tone and stressed disunity among the three Great Powers. Russia is regarded as the stumbling-block in all post-war deliberations, although nobody appears to fear her actions are likely to bring about a situation approaching war. Disappointment has been expressed that French elections have resulted in stalemate.

4. *Melbourne Herald* describes Mr. Bevin's speech as "powerful and lucid" and says that he has at least shown in elementary language where Britain stands. *Sydney Morning Herald* says speech, despite its moving sincerity, did not entirely satisfy House of Commons nor did it provide the bold lead on the problem of Germany for which many were hoping.

5. The report of the Security Council Sub-Committee on Spain is accepted as a compromise. The *Sydney Morning Herald* says the "bone is again pointed at Franco," who will not be oblivious to the bearing on his fortunes of the prevailing lack of unity between Russia and the western Powers. The *Melbourne Herald*

says there is a compelling case for settling troubles already on hand before seeking more in a country not at the moment threatening what is doubtfully called "world peace."

6. According to correspondents, differences are arising among the Allied occupation authorities in Japan, even among the British units, and high officers of other units complain that Australians predominate in the executive posts. Friction is also said to exist between the B.C.O.F., which has in a secret report recommended a more realistic policy towards the Japanese, and the United Kingdom Liaison Mission, which has given full support to MacArthur. Further reference is made to anti-British articles in *Nippon Times*.

7. A Dutch destroyer, damaged in a collision in northern waters, is alleged to have been seeking vainly for weeks facilities for repair in Australia. Unions are reported to have refused docking and repair facilities at Brisbane, Sydney, Melbourne and Fremantle.

8. Mr. Maloney, ex-Minister to Moscow, continues in his public speeches to criticise conditions in the Soviet Union. He describes Russia's "imperialistic designs" as worse than the Czar's and the Soviet as a "ruthless dictatorship in the hands of about fourteen men. No family can go to bed in Russia and be sure that one or more will not disappear during the night."

Industrial.

9. Although the threat of a general coal strike is in abeyance, a strike at the Nobel plant in Victoria threatens to cause a big hold-up of coal production owing to the shortage of explosives. Coal supplies still remain disquietingly low and rationing of light and fuel continues in the large cities.

10. The claims of fifty-three Australian unions for a 40-hour five-day week are being heard in the Federal Arbitration Court. All witnesses are stressing the point that increased mechanisation will enable production to be maintained at the present level if a 40-hour week comes into effect. But the chief judge has stated that the court was not so far satisfied with the evidence, which did not contain sufficient exact data.

11. Large-scale reductions from the war-time peak of the Commonwealth Public Service are being carried out and a protest campaign is being organised.

12. A magistrate in Melbourne ruled this week that the Commonwealth Re-establishment Act, 1945, did not apply to Commonwealth Departments under the principle that The King can do no wrong. This means that the provision regarding preference for ex-servicemen in employment does not apply to the Crown, and has led to an outburst in the press, which says that the already shadowy preference is made almost worthless. *Sydney Morning Herald* refers to this decision as "the crowning disillusionment" of ex-servicemen with the preference provisions. It admits, however, that there was no doubt about the intention to bind the Crown and its instrumentalities together with private employers.

Empire Relations.

13. *Melbourne Herald* says one thing stands out clearly, and that is the need for closer association between "the Motherland and the Dominions," which must entail a real sharing of burdens not only financial.

14. Reports continue of suspicions of Malayan populations regarding the new Constitution and bitter resentment regarding the inflexible fashion with which the scheme is being applied. A special correspondent in Singapore refers to racial unrest as talks take place, and says that, unless substantial modifications are made, it is unlikely that the Malayan Union will realise the ideals of its architects within the lifetime of the present Malay generation.

15. Newspapers are full of warm expressions of appreciation of the welcome accorded to the Australian Victory contingent.

16. According to press, an announcement that the Duke of Gloucester will relinquish his post as Governor-General is expected shortly.

17. Considerable prominence was given to food debate in House of Commons and to Mr. Churchill's speech and his demand to know what Britain was getting in exchange for the surrender of 200,000 tons of wheat. Although "Food for Britain" funds appear to have been wound up in several other States, the Sydney fund is still appealing for contributions, and in spite of the large numbers of parcels sent privately there is little doubt that contributions will continue to be received.

18. Britain's efforts to regain her export trade, says *Melbourne Herald*, "is proof of her endurance and adaptability and also a lesson to Australia." Some

recent articles in the press about the fear of inflation in the United Kingdom have been discussed with considerable interest and not a little concern in importing circles.

Migration.

19. The Australasian Council of Trades Unions has announced that the trade union movement, through its own organisation and publicity channels, plans to enlist the aid of every worker in welcoming accepted migrants. The Prime Minister during the week said that Australia could no longer stand still on the old policy of migration and simply wait for things to happen. She had to have more people and every effort should be made to bring suitable migrants to the country.

Overseas Representation.

20. The Australian Trade Commissioner service is being considerably expanded. New or additional appointments will be made to the United Kingdom, Singapore, Hong Kong, Middle East, San Francisco, Chile, India, Philippines, South Africa, Washington and Ceylon, where there will also be External Affairs representation.

[W 6965/140/68]

No. 5

Mr. Hankinson to Viscount Addison.—(Received in Dominions Office 26th June.)

(No. 197. Saving. Confidential.)

Canberra, 21st June, 1946.

Political.

THE Prime Minister made a statement in Parliament (which reassembled on the 18th June) on his visit abroad. He outlined the results of the defence discussions, and said that Australia would shoulder greater responsibilities for the defence of the Pacific. He was disturbed at the burden of armaments resting on the British Commonwealth, and on the United Kingdom in particular, after the war which had resulted in a complete victory for the United Nations. As regards Pacific bases he said Australia would welcome an arrangement for the joint use of bases on the principle of reciprocity, and it is stated that Dr. Evatt will shortly open discussions with the United States on this subject. The Prime Minister also stated that Australia would pursue a policy of developing heavy industry, including shipbuilding and aircraft.

2. At the Annual Australian Labour Party Conference held over the weekend the attitude of the Labour Party towards the Communist Party was discussed. The conference rejected Communist proposals for co-operation with the Australian Labour Party at the forthcoming elections, and there were only about forty dissentients out of about 500 delegates to the executive's recommendations rejecting "without hesitation or qualification any pact, working agreement or association with the Communist Party." The meeting planned an intensive campaign to combat Communist activities, including the declaring illegal of organisations under Communist influence, such as the Friends of Soviet Russia, the Society for Cultural Relations with Russia (of which Mrs. Jessie Street, a Labour candidate at the federal elections, is president and the Bishop of Goulburn a patron) and certain youth organisations. Any party member who refuses to resign from any of these organisations will be expelled from the party. The meeting declared the Communist Party "to be a danger to Australian democracy and a permanent foe of the Australian Labour Party," and "to be concerned solely with pursuing the foreign policies of Soviet Russia." It congratulated the British Labour Party on its decision to eradicate affiliation with the Communist Party. This action is the most emphatic condemnation of the Communist Party in the history of the Australian Labour movement, and is welcomed by the press as a "most refreshing declaration" in view of the fact that there is ample evidence that Communists have fomented much of the industrial trouble which has occurred recently. The Australian Labour Party, it is said, have taken a leaf from the British Labour Party's book, but it is pointed out that more than pious resolutions are needed, and in some quarters it is suggested that the action is an electioneering gesture.

3. The Liberal Party, whilst refusing to accept a resolution that the Communist Party should be declared illegal, which would only drive it underground,

has promised that if returned to power it will set up a commission with full powers to bring Communist activities to light.

4. The Australian Labour Party Conference were also made acquainted by the Prime Minister with the Government's plans for reducing taxation. After warning the conference that he could not promise any great relief, and that social security on a wide basis could not be provided unless someone paid for it, and that he did not believe that elections could be won by making promises, he submitted proposals for graduated reductions on incomes to cost £16 million, making, with the remission of £20 million afforded last year, at total reduction of £36 million over two years. Caucus deferred its decision on these proposals which are closely bound up with the party's demand for the abolition of the means test on old age pensions.

5. Senator McKenna has been elected Minister for Health and Social Services, to fill the vacancy in the Cabinet created by the death of Senator Keane, and the present Minister for Health, Senator Fraser, becomes Minister for Customs. Senator McKenna is a Hobart solicitor and accountant who has been for some time assisting the Prime Minister at the Treasury.

General Election.

6. The date for the general election has been fixed for the 28th September.

7. Elections for the Victorian Legislative Council left party representation unchanged; very little public interest was taken mainly on account of the narrow basis of the franchise. Only property and leasehold owners can vote, and in consequence the personnel of the Upper House is largely made up of non-Labour Party members supported by non-Labour votes.

[W 8392/140/68]

No. 6

Mr. Williams to Viscount Addison.—(Received in Dominions Office 8th August.)

(No. 372. Confidential.)

My Lord,

Canberra, 30th July, 1946.

SINCE the present Government came into office in 1941 the great personal ability of Dr. Evatt and his considerable driving power have been devoted to the development of an active foreign policy for the Commonwealth. It cannot be denied that Dr. Evatt has achieved a considerable measure of success and it may be interesting at this stage to survey briefly the developments which have taken place during his term of office, for there can be no doubt that these developments have been almost entirely due to Dr. Evatt's own personal initiative and personal ambition. The late Prime Minister devoted little attention to external affairs and Mr. Chifley, save on rare occasions, does not intervene and is content, as are Ministers generally, to leave Dr. Evatt a free hand in determining foreign policy.

2. As Dr. Evatt has himself said, "it is of little value to envisage an active policy by Australia in European affairs unless we possess the diplomatic machinery for carrying it out." Some idea of the expansion which has taken place may be gathered from the enclosed statement⁽¹⁾ showing the increase in the expenditure of the Department of External Affairs over the past five years. When Dr. Evatt became Minister for External Affairs in October 1941 the department was costing about £150,000 a year. There were legations in the United States and Japan, and High Commissioners in London (which comes under the Prime Minister's Department and not under the Department of External Affairs) and Canada. By 1946-47 the expenditure of the department will have risen to about £400,000 a year, additional legations have been established in China, the U.S.S.R., Latin America, France, the Netherlands and Chile, and High Commissioners in New Zealand, India, South Africa and Eire; in addition, a number of consular appointments have been made or are in contemplation. Apart from these permanent diplomatic appointments, representatives have been appointed during the present international situation in Malaya, Japan, &c. The External Affairs Department has been completely reorganised and provided with a new building (which, incidentally, is already proving too small for the increasing staff). A new system of recruiting staff has been introduced, under which young men and women with suitable qualifications enter the department as cadets and are required to attend a special university course during which they receive salaries. The department is organised into sections: Pacific,

⁽¹⁾ Not printed.

American, United Nations, Information, Economic Relations, Legal and Consular, Staff, and has taken over the Communications Section, through which all overseas cables pass, formerly a part of the Prime Minister's Department.

3. But more striking than the mere expansion of the machinery of the Department of External Affairs is the development which has taken place under the present Minister's direction in Australian foreign policy. It would be true to say that prior to Dr. Evatt's régime Australia was prepared to follow the lead of the United Kingdom on all major issues of foreign policy and to accept in principle that at any rate the initiative in foreign affairs should come from London. The special circumstances created by the late war would doubtless in any case have given rise to a more independent outlook, certainly in the Pacific, but it is evident from what has happened during the last five years that under no circumstances would Dr. Evatt have been content to follow in the footsteps of his predecessors, although, but for the war, the development would probably have been less rapid.

4. It is unnecessary to recapitulate what happened on the outbreak of the Japanese war and immediately thereafter. It was, however, the building up of Australia as an advanced base for operations in the Pacific that led to the idea of Australia becoming a bastion of the United Nations in the Pacific and to the claim that Australia, by virtue of the part played by her in the Far Eastern war, should be consulted as of right on all questions affecting the future of that area. From this developed the view that Australia was destined to become a principal Power in the Pacific, a view which was reinforced by the collapse of European Powers with territorial interests in that area and their inability to defend their territories without the assistance of America (and of Australia). This in turn led to claims that those Powers should not, after the war, be allowed to resume their former positions as "exploiting" Colonial Powers and that Australia, in view of her vital interests in this area, should be given a share in the administration of those territories—a more extreme claim which was later allowed to drop. But up to this time the principal feature of Australian foreign policy had been a series of outbursts concerning the alleged subordination of her interests in the Pacific to those of the United Nations in other parts of the world and the failure to consult Australia in advance regarding the various decisions of the Big Three, and particularly the Big Four, affecting matters of post-war concern to her. These protests were made in a manner which soon came to be regarded as characteristic of Dr. Evatt: somewhat strident assertions of Australia's refusal to be committed to anything about which she had not been previously consulted, with an ever-increasing field in which such consultation was expected.

5. What must be regarded, however, as Dr. Evatt's first contribution to post-war international arrangements was the Australia-New Zealand agreement of January 1944 (commonly referred to as the Anzac Pact) which may be taken as the starting-point of the policy which Dr. Evatt has since consistently pursued. This agreement contains a statement of Australia's foreign policy aims as they stood at that date and the objectives for the future. The document placed on record that Australia and New Zealand had vital interests in all preparations for any armistice "ending the present hostilities or any part thereof" and in any subsequent arrangements, and the agreement of the two Governments that their interests should be protected "by representation at the highest level" on all armistice planning and executive bodies. Within the framework of a general system of world security, the agreement declared that a regional zone of defence based on Australia and New Zealand should be established stretching through the islands north and north-east of Australia, and the two Governments announced that they regarded it as a matter of cardinal importance that they should be associated "not only in membership but also with the planning and establishment" of the United Nations Organisation, as it became later known. The agreement declared that the ultimate disposal of enemy territories in the Pacific should be effected only with the agreement of the two Governments and that no change in the sovereignty or system of control of any of the islands in the Pacific should be effected except with their consent. They agreed that the system of "trusteeship" was applicable to all colonial territories in the Pacific and elsewhere and proposed to promote a South Seas Regional Commission, on which, in addition to Australia and New Zealand, there might be representation of the United Kingdom, the United States and France. Finally, it was agreed that Australia should call a conference "as soon as practicable" representative of all Governments with existing territorial interests in the South-West and South Pacific area (including in this case the Netherlands and Portugal) to discuss security, post-war development and native welfare in those areas.

6. As is well known, New Zealand was the junior partner in the conclusion of an agreement which was kept strictly secret from the United Kingdom Government until its terms had actually been settled, but it has proved useful to Dr. Evatt to be able to associate New Zealand with Australia in his various subsequent declarations. Dr. Evatt himself described the agreement at the time as "an arrangement between the two Governments as to how an important part of their foreign and external relationships should be conducted" and claimed that, "by their initiative in making and publishing this agreement," the two Governments had "given a lead on certain vital aspects of international relationships in the post-war period," and in a speech in February 1944 he made the point which he has repeated frequently since that Australia (and New Zealand) had an undoubted right to speak "because of the leading and resolute part the two countries have played since the outbreak of the present war in 1939." At the same time, he made the claim, to which he has also frequently returned, that the agreement was a "striking exercise of those powers of full self-government which are an indispensable adjunct to Dominion status." He has argued somewhat on the same lines when he has been criticised for taking a course different from that of the United Kingdom in the Security Council and elsewhere.

7. The Anzac Pact was at the time of its publication regarded with some levity as an attempt by two little tails to wag three big dogs, but Dr. Evatt's child has eventually come into its own with its acceptance at the recent Prime Ministers' meeting in London as a basis for discussion at a conference to be held in the near future in Canberra. The agreement can fairly be regarded—and is so regarded even by Dr. Evatt's critics—as one of his major triumphs. Dr. Evatt regards this document as second only in importance to the Atlantic Charter. In a statement on external affairs in March 1946 he described his policy "as a long and sustained attempt to carry into effect the great objectives of the United Nations laid down in the Atlantic Charter and other international instruments and the agreement between Australia and New Zealand" and he claims that the agreement has had an important international influence. "A study of the terms of this agreement will show how marked an effect both countries have had in relation to some vital subjects dealt with in the agreement."

8. Dr. Evatt's subsequent demands that Australia should be consulted not only regarding questions affecting the Pacific, but about all major international questions as a principal Power are, in retrospect, seen to stem from the principles laid down in this document. The demand that Australia should be separately represented at the various armistice ceremonies, on the Far Eastern Commission and on the Allied Council in Japan, that she should have a separate component element with the B.C.O.F., and have status at the Meeting of Foreign Ministers, all flow naturally from the objectives set out in the agreement. The appointment of an Australian to command the B.C.O.F. in Japan and of an Australian to represent the British Commonwealth on the Allied Council in Japan are the fruits of these efforts. Running through all his speeches and statements is the claim that Australia, "not only as one of the United Nations which has shared the burden of the war, but also as a nation with a recognised international status," should exercise the right to participate in post-hostilities planning (speech on the 18th September, 1944). In November 1944 he said: "We have a right to expect that the Australian and New Zealand Governments will have a full share in all the arrangements to be made at all stages of the planning for armistice and post-armistice period of the war against Japan," and again he based his claim on the "part played by our sailors, soldiers and airmen" and (with less reason) the "sacrifices of the civilian population." "All must realise that the claim which we have made to take a full share in all decisions and arrangements affecting the Pacific region is not only reasonable but incontestable." Again, in February 1945, "this policy is designed to enable Australia to work to the fullest possible extent with the other United Nations in plans for post-war world order and to ensure as far as we can that the place and status of Australia among the United Nations and in the major post-war international arrangements shall be commensurate with what Australia has contributed to the common cause during the war." Another familiar reference is that made on the 22nd February, 1945, "Australia and New Zealand are trustees in the South-West Pacific area of not only Western civilisation, but also British civilisation."

9. From this logically follows the second part of his thesis, the claim that, whilst recognising the lead of the three major Powers, small nations are entitled to active and continuous participation in international affairs. In September 1944 he was saying that "a successful world organisation requires an

enthusiastic contribution from smaller Powers." And he has never wavered from the demand which he made in Parliament in July 1944 that "all the United Nations should actively participate in the armistice and subsequent arrangements and in the peace settlements. Small nations as well as great have a part to play and a responsibility to discharge." On the 30th November, 1944, referring to the European Advisory Commission, he was again pressing the claims of the smaller Powers to "participate to a substantial extent" in any post-war settlements, and urging that the first of the principles declared in the draft plan for world organisation—the sovereign equality of peace-loving States, great or small—would remain a mere abstraction unless there was "a real opportunity for common action by all the Allied Nations where their community of interest requires a common action." "We fully recognise the leadership of the three Great Powers At the same time it is essential that all members, great or small, should actively take part in the work of world organisation. The world needs the leadership of the Great Powers, but it needs also the assistance of smaller nations" (February 1945). In an address to the University of California in March 1945, he said, "The world organisation to be successful must be capable not merely of giving the smaller Powers an opportunity and right of participation but also of invoking an enthusiastic contribution from them."

10. He has asserted this demand whenever occasion has arisen, *e.g.*, in November 1945, in reply to the United States announcement regarding the Far Eastern Advisory Commission that the United States was not consulting with any Governments other than the Big Four and that it was assumed that the United Kingdom Government would consult all the Dominions represented on the Commission, Dr. Evatt said "if so reasonable a request (for equal representation) is rejected it is a poor outlook for that international co-operation which is always pleaded and not always practised As a matter of justice Australia's war effort in the Pacific should carry with it the undoubted right of full and timely consideration. This is Australia's claim and we shall never abandon it."

11. Dr. Evatt's assumption at San Francisco and since of the rôle of self-appointed champion of the "small nations" is a development of his claim that Australia and New Zealand should be consulted regarding and to participate in all international decisions and is an endeavour to enlist the support of other "small Powers." Nevertheless, on occasion he has created a new international status for Australia as a "middle Power," *e.g.*, his statement in April 1945, that "because of her resources and geographical position Australia must rank among the middle Powers which, while they are not great Powers, command considerably greater strength than the majority of the small Powers." It is in this capacity as a champion of the small Powers that he has emerged as the leader of the attack on the veto. Although at the Plenary Session of U.N.C.I.O. on the 27th April, 1945, the voice was that of Mr. Forde, the Deputy Prime Minister, the words were undoubtedly those of Dr. Evatt when referring to the Great Power veto, Mr. Forde said "We think a mistake has been made and that all the Powers concerned should be ready to correct it." In his press conference at San Francisco on the 3rd May, 1945, Dr. Evatt placed first on the list of amendments to the Charter to be proposed by Australia that designed to prevent the possibility of a single great Power vetoing amendments to the constitution and to exclude the veto of the permanent members from all arrangements relating to the peaceful settlement of disputes and to confine its application to discussions involving military and economic sanctions.

12. Whilst at the outset Dr. Evatt's demand was that Australia (and New Zealand) should be consulted and participate in decisions on all matters affecting the Pacific, this interest has rapidly extended. His most recent utterance was that made in March 1946 when, protesting against the proposal that the Council of Foreign Ministers should settle all basic issues affecting the European Peace settlements, he said that Australian policy with respect to Europe was based on three principles "which we are resolved to maintain":—

- (i) Australia as a belligerent in Europe was entitled to participate fully in the European peace settlement.
- (ii) Whilst recognising the special position of the three major Powers and accepting their leadership there was a duty to bring other directly interested belligerents into consultation, a principle sometimes departed from during the war, *e.g.*, the Cairo declaration affecting the Pacific and the Yalta decision granting the Soviet concessions in the Far East.
- (iii) Consistently to maintain the right of all active belligerents to a full share in framing the peace.

13. During the past six months Dr. Evatt has been able to announce or claim credit for a series of successes. First among these was the election of Australia to one of the non-permanent seats on the Security Council "despite the organisation of a powerful 'ticket' which would have excluded us despite our indisputable claim"; her association with the Far Eastern Commission "in which Australia can justly claim to have taken a considerable initiative After a preliminary skirmish the proposal to exclude Australia and other belligerents from the Armistice ceremony was promptly abandoned"; the appointment of an Australian to command the B.C.O.F. in Japan, of another as British Commonwealth representative on the Allied Council in Japan and a third as President of the War Crimes Tribunal in Japan, which, Dr. Evatt said, sufficiently proves the "status which has generally been accorded to Australia in these Pacific Councils"; and on his return to Australia in March 1946 he claimed that he had successfully accomplished his aim in securing that all Allied belligerents should attend the European Peace Conference. His own appointment as Chairman of the Committee appointed by the Security Council to study the Spanish issue has been a further source of gratification. Finally, there has been the "enthusiastic acceptance" of the Anzac Pact by the United Kingdom Government at the recent meeting of Prime Ministers.

14. The appointments of Australians to the positions mentioned in the last paragraph have given particular satisfaction to Dr. Evatt. "The appointment of an Australian," he said, in his foreign affairs statement in March 1946 "on Australian nomination to represent not only Australia but other Governments of the British Commonwealth, including the United Kingdom itself, is a development of great importance an entirely new concept of British Commonwealth relations is now emerging. This concept tends to reconcile full Dominion autonomy with full British Commonwealth co-operation This is evidence that the machinery of co-operation between nations has now reached a stage where a common policy can be carried out through a chosen Dominion instrumentality in an area or in relation to a subject matter which is of primary concern to that Dominion."

15. The election to the Security Council had, he claimed, been made possible by the insertion of Article 23 in the Charter (for which Australia had herself largely been responsible) which laid it down that in the election of non-permanent members regard must be specially paid to the contribution of the nations to the maintenance of peace and security and secondly to the equitable and fair distribution of the non-permanent seats. He pointed out that Australia qualified under both these headings for she had an outstanding record as a security Power which admittedly was shared by Canada, but in addition she was the only candidate representing the vitally important strategic region of the South-West Pacific. The election was "a great tribute to the objectives of Australian policy in war and peace and, above all, to the outstanding part the members of our fighting Services have played in two world wars. I regard the honour achieved by Australia as a culminating point in the carrying out of an external policy based upon principles openly proclaimed and vigorously pursued. . . ."

16. Even the press, which normally adopts a somewhat restrained attitude towards Dr. Evatt's claims, has been impressed by his success and was pleased to note, in connexion with Australia's election to a seat on the Security Council, that "suddenly we are one of the leaders of humanity." It is characteristic of the Australian press and of the Opposition that whilst, when Dr. Evatt is abroad, they are constantly demanding his return so that he may become familiar with public opinion and cease to conduct a one-man foreign policy, they were only too ready to launch an attack on the purely official character of Australian representation at the Preparatory Commission, with the result that the Prime Minister was constrained to announce that as Dr. Evatt (who was at the time on one of his infrequent visits to Australia) was required in Australia in connexion with certain constitutional problems, the Minister for the Navy (Mr. Makin) who had acted as Minister for External Affairs during Dr. Evatt's absence at San Francisco and again during Dr. Evatt's absence in connexion with the meeting of the Council of Foreign Ministers, would proceed to London to represent Australia at the First Assembly of the United Nations Organisation. It was made clear, however, that "though Mr. Makin would voice Australia's views, Dr. Evatt would continue to be the guiding hand behind the policy to be followed."

17. Dr. Evatt's policy has not received much support in Parliament outside the ranks of his own party, and Mr. Menzies, the Leader of the Opposition, is a persistent critic. One may be pardoned for suspecting that a good deal of this criticism must come under the heading of "sour grapes," and that it is aroused

by the very success which Dr. Evatt has achieved in placing Australia on the international map and in hitting the newspaper headlines so frequently. Mr. Menzies particularly objects to the seeking by Dr. Evatt of "a false and useless reputation as the leader of small nations," and criticises the Government and Dr. Evatt for neglecting their clear duty to the Empire. "It was easy," Mr. Menzies has said, "to hit the headlines in many countries by attacking Britain, but it should be remembered that while the United Nations was experimental only, the British Empire was a tried and tested international organisation." To this Dr. Evatt has replied that the Commonwealth Government's policy was not opposed to that of the British Labour Government but that the Australian Government had continuously and persistently claimed the absolute right to participate on a footing of equality in all discussions concerning the Pacific. Mr. Menzies, he said, must abandon the idea that he is the only leader in this country who is appreciative of the indissoluble ties of kinship which bind Australia to the mother country. Mr. Menzies's latest gibe is that it is apparent that Dr. Evatt's policy is no longer to make a maximum contribution to the strength of the British Commonwealth but to go off alone and line up with Paraguay, Guatemala and Ecuador and to get their votes against Britain or go prying into the affairs of Spain. In the debate on Dr. Evatt's statement on external affairs in February 1946, the main attack of the Opposition was directed against Dr. Evatt's view that the Soviet's expansionist policy was defensive in origin, and by confining itself mainly to the question of Russia the Opposition gave Dr. Evatt ground for claiming that most of the Government's policy was accepted. This policy, he said, was guided in the first instance by its duty to Australia and one basis of that was co-operation with the British Commonwealth. It co-operated, not on occasions, but all the time, and in the new phase of Empire relations "no one forgot that we were the sons of the British people and our loyalty to them was unquestioned."

18. The conduct of the Australian representative on the Security Council in taking a line on various matters brought before the Council which was in conflict with that taken by the United Kingdom and United States representatives has been the occasion for some comment in the Press and attention has been called to the apparent contradiction between Australia's policy on the Council and the championship of the rights of small nations. On the Russian-Persian dispute especially it was claimed that by voting with Poland against the other representatives, including the United Kingdom and the United States, Australia cut across the principle on which the strength of the British Commonwealth was based, and fears were expressed that the leadership of the small Powers which Dr. Evatt won at San Francisco was passing to Mexico.

19. In the conduct of Australia's relations with its nearest neighbour, the Netherlands East Indies, Dr. Evatt has found a serious rival in certain extreme elements in the Trades Unions which, having espoused the Indonesian cause and declared black all Dutch ships in Australia, have committed the Commonwealth Government willy-nilly to a policy in regard to the Indonesian dispute which has embarrassed their relations with the Dutch authorities. In fairness to Dr. Evatt, it should, however, be explained that when the trouble first arose Dr. Evatt was in England and, though he was no doubt consulted by telegram as to the attitude to be adopted, the delay involved by this consultation allowed the situation to develop. Had he been in Australia at the time it is possible that he might have been able to take some action immediately the trouble arose that would have prevented the development of such a sorry situation. These relations became somewhat strained during the war when certain claims which were pegged out on behalf of the Commonwealth Government for a share in the post-war administration of the Netherlands East Indies had to be dropped owing to the prompt reaction of the Dutch. Since the war the relations between the Commonwealth authorities and the Dutch have become further strained almost to breaking point as the result of what the Dutch have, with some reason, regarded as the failure of the Commonwealth Government to maintain an impartial attitude towards the dispute in the Netherlands East Indies. Open expressions of sympathy with the nationalist movement in Government quarters and the professed inability of the Commonwealth Government, for fear of embroiling themselves with the Unions, to take any action to secure the loading of Dutch ships carrying supplies to the Netherlands East Indies, which have been held up in Australian ports for over six months, have given the Dutch authorities the impression that the Commonwealth Government was favouring the Indonesian

movement. Consultations took place between Dr. Evatt and the Dutch Minister in January in, it was stated, "a frank and cordial atmosphere," and it was announced that there was no question outstanding between the two Governments which could not be settled in the cordial atmosphere of those consultations. This hope proved, however, to be ill-founded, for the Dutch ships remained marooned in Australia and were later joined by the Dutch destroyer, the *Piet Hein*, which, owing again to the attitude of certain of the unions, was unable to secure repair facilities in Australia. An acrimonious exchange of letters took place between the Dutch Minister and the Prime Minister, and a statement made to the press by the former drew a rebuke in Parliament from the Prime Minister, who said that he "was not pleased at all" with the Dutch Minister, and that diplomats who engaged in newspaper controversies which could damage a Government in office did not improve diplomatic relations. Quite recently some of the Dutch ships have been able to slip away and the Dutch destroyer has departed to seek assistance elsewhere.

20. It is noticeable that, despite occasional clashes with the United Kingdom representatives at the United Nations, Dr. Evatt has recently shown a tendency to modify his attitude towards the United Kingdom, which during the war could at the best be described as brusque. He may have come to the conclusion that the practice of making representations in minatory terms rather than in the usual polite verbiage of inter-governmental correspondence had paid dividends and that, having asserted and secured recognition for Australia's viewpoint, he can now afford to adopt a more conciliatory attitude. He has certainly gone out of his way upon recent occasions to protest his desire to co-operate with the United Kingdom and to recognise that Australia must act in harmony with the rest of the Commonwealth. No doubt also he has been influenced by the contacts which he has made overseas and by the realisation that there is a limit to what can be achieved by playing a lone hand. It is significant that this change in Dr. Evatt's attitude has been reflected in that of certain of his officers who had been accustomed to model their conduct on that of their Minister. Something may also be due to failure of the United States to respond to some of his ideas, despite the support which he gave to the American plan for having the headquarters of U.N.O. in the United States and on the Pacific coast. But the attitude of the State Department in connexion with the proposed conference of Pacific Powers suggested in the Anzac Agreement; the stubborn attitude adopted by the United States in regard to the scope of the Far Eastern Commission and the Allied Council of Control in Japan, and the United States request for Pacific bases, may have given him pause. In regard to the question of bases he has taken a firm line which has aroused in certain quarters some uncertainty about relations with the United States. A considerable section of opinion here feels that having regard to the importance of enlisting American interest in the defence of the South-West Pacific it is unwise to worry about a few islands for which the Americans have asked as bases.

21. Dr. Evatt's achievement in the field of foreign affairs is likely to be one of the Government's strong cards in the forthcoming elections. He has provided the Government with a foreign policy which, though it may be a trifle oversize, is not likely to find disfavour in the eyes of the electors on that account. He has left his mark on the international conferences which he has attended and no Australian has been talked of so much outside of his own country since the heyday of Mr. W. M. Hughes. He can claim to have reached the rank of an international statesman and the methods by which he has achieved this distinction will be forgotten (if they are not applauded as being typically Australian). The charge of "ganging up" against the United Kingdom (which would not have done the Government much good except in very limited circles) has been to some extent disproved by his recent attitude. In all, the Opposition will be hard put to it to remove from the minds of a very considerable section of the public the conviction that the Minister for External Affairs has earned laurels for himself and for his Government in the international political arena.

22. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand, and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

W. C. HANKINSON,

(For the High Commissioner).

[W 8652/140/68]

No. 7

Mr. Williams to Viscount Addison.—(Received 19th August.)

(No. 400.)

My Lord,

Canberra, 13th August, 1946.

THE 17th Commonwealth Parliament adjourned on the 9th August, and the general election is fixed to take place on the 28th September. A Labour Government has now been continuously in office since 1941. The general election of 1939 resulted in an almost equal division of seats between the Labour Party and the combined United Australia and Country Parties, and the balance of power was held by two Independent members who were able to determine the nature of the Government. These two gentlemen for some time supported the combined United Australia (now Liberal) and Country Parties, and kept them in office until 1941, when they transferred their affections to the Labour Party and so enabled the late Mr. Curtin to form a Government which somewhat precariously continued in office until the general election of 1943. At that election the Labour Party secured an overwhelming victory at the polls and was returned with a substantial working majority. When Parliament adjourned the Labour Party held 49 seats of the total 74 seats in the House of Representatives. (The House of Representatives has 75 members but the member for the Northern Territory has no vote.)

2. The election of 1943 was held during the war and the Opposition parties were then so weak and divided and lacking in a constructive policy, and they managed the campaign so badly, that they never looked to have the remotest chances of success against a leader of the late Mr. Curtin's calibre.

3. Their prospects for the forthcoming election are somewhat brighter but not, it is thought, bright enough to assure them a victory. They have recovered to some extent from their crushing defeat of 1943; the former United Australia Party with its nebulous cloud of minor parties has been reorganised and changed its name (but little else) to the Liberal Party; some semblance of unity has been introduced between the two wings of the Opposition—the Liberal Party and the Country Party; the war is over, and whatever the merits of the present Prime Minister, who for the first time goes to the country as the leader of the Labour Party, it cannot be said that he possesses those qualities of popular leadership which distinguished the late Mr. Curtin.

4. But the Labour Party can point to a solid record of achievement. It has greatly expanded the field of social services legislation, and can safely be relied upon to go even further if returned to office. It has established on a non-contributory basis unemployment and sickness benefits, a national medical service Act is on the Statute Book although not yet in operation, old age and invalid pensions have been increased, and the conditions of award liberalised on the eve of the election. It has implemented some of the major planks in the party policy—the nationalisation of the Commonwealth Bank and the nationalisation of interstate air lines. Although the Government has completely failed to control the industrial wing of the party which has kept the country in a continual state of chaos, it will be difficult, provided that no serious industrial crisis occurs before the election, for the Opposition to convince the electors that they would have done or can do any better. The Government's last act has been to make yet a further effort to deal with the troublesome problem of the coal industry by securing the passage of legislation to establish a coal commission to control the industry. Whether this will provide more coal or result in fewer stoppages is a matter for doubt, but it is significant that Labour leaders have been appealing to the miners to see that no strikes occur until the election is over. The Labour Party will claim that they have saved the country from inflation and that in the words of the Prime Minister, Australia is entering a golden age "if the right political and economic measures are taken." In foreign affairs the Government, despite one serious failure—its relations with the Netherlands East Indies—can make a good showing. The considerable volume of criticism directed to the continuance of high taxation and the maintenance of war-time controls comes mainly from that section of the electorate which would in any case vote against the Government. There is unlikely to be any major political issue, and the result will be decided by the attitude of the floating vote. There is no indication at present of any signs of revulsion on the part of the electors sufficient to produce the swing which would be required to bring about a change of Government.

5. The Government can claim to have come through the war with credit. Although the war effort of Australia was very considerable, the country finished the war with record oversea balances. Taxation reached a high level, but

was heaviest on the larger incomes. The position of the workers has been safeguarded by the pegging of wage levels and prices under war-time regulations which are still retained. The demand of organised labour for a 40-hour week is now before the Arbitration Court and although no decision is likely to be announced before the election, the fact that the hearing is in progress and that the demand is sympathetically regarded by the Government will count strongly in the latter's favour.

6. The ex-servicemen's vote will be a material factor. The legislation passed in 1944 for the rehabilitation of ex-servicemen is based on broad and liberal grounds, and despite complaints by ex-servicemen's organisations that their interests are being neglected and that the Act is not worth the paper it is written on, the fact remains that universities and technical schools are overflowing with ex-service students receiving Government maintenance allowances and that the other benefits granted under the Act are being made available. There have inevitably been complaints regarding demobilisation but there are no signs that there is to be any attempt to mobilise the ex-service vote against the Government or that if any such attempt were made it would be successful.

7. In the matter of housing, which is the most pressing domestic problem, the Government are likely to be faced with their most serious challenge. Ambitious housebuilding programmes and schemes for war-service homes have made little progress owing to coal shortages and the resultant disruption and dislocation of industry.

8. Whilst, with the exception of one or two black spots, the Government can face the electors with a record of solid achievement, the platform of the Opposition consists mainly of vague generalities and a half-hearted attempt to outbid the Government with promises to the electors, whilst at the same time demanding a reduction in national expenditure and a lowering of taxation. The Opposition may argue that the burden of taxation is handicapping the recovery of industry but the shortage of labour in most industries and the profit records of industrial companies hardly lend support to their case. By a wheat stabilisation scheme which has just been passed by Parliament the Government have shown that they are not neglecting the primary producer, although they may not have been able to satisfy him. Petrol rationing has been so eased that, judging by the enormous increase in cars on the roads, there is little or no hardship imposed on the motorist and it is noticeable that the supply of consumer goods has recently markedly increased. All that is left to the Opposition is the bugbear of growing Left-wing opportunism and the threat of communism. Official Labour may have rejected the overtures made by the Communists to co-operate in the election but Communist leaders still hold executive positions in some of the largest unions and, however willing Labour might be to do so, it has been unable to dislodge all but a few of them. The Opposition will claim that the return of Labour to power will provide the most favourable soil in which communism can flourish and that a vote for Labour is a vote for communism.

9. In a last-minute attempt to outbid the Government, the Opposition have asked in Parliament that the Child Endowment Benefit (which now commences with the second child) should be paid in respect of the first child in the family. The Child Endowment Act was passed by the Menzies Government in 1941, when it was stated that the Government had decided that payment for the first child was not warranted. It was not difficult for the present Government to show that, since the real purpose of child endowment was to stimulate the birthrate and since there were 475,700 children in families with one child, 534,000 in families with only two children, only 233,700 families with three children and only 172,000 families in which there are four or more children, there would be no benefit in extending payment of child endowment to the first child. The Australasian Council of Trades Unions have announced that they support this request and have demanded immediate legislation to extend child endowment to the first child. The inner meaning of the action of the Australasian Council of Trades Unions is that the basic wage is fixed on the basis of a family of man, wife and one child, and the extension of child endowment to the first child would, in effect, be an alteration of the basic wage without reference to the Arbitration Court. The Opposition, by raising this issue, have certainly secured the electioneering point that their demand for more liberal child endowment has been rejected by the Government, but how they will be able to reconcile their action with (a) their criticism throughout this Parliament of rising Government expenditure on social insurance, and (b) with their demand that the basic wage should not be interfered with by legislation is a little difficult to see. The incident shows, however, the straits to which the Opposition are reduced for electioneering gambits.

10. On neither side can there be said to be anything in the nature of inspiring leadership. Mr. Chifley, who is an able administrator and a good party-room man, has few of the qualities of popular leadership. Dr. Evatt, who is returning to Australia to assist in the campaign and who is thought to be worth a good many votes, lacks popular appeal. Mr. Ward, who, since the incident of the Brisbane line when he was relegated to the portfolio of Transport and External Territories, has been attracting less attention to himself than formerly, is undoubtedly popular with his own particular following in Sydney, but is unlikely to sway votes elsewhere. He is credited with ambitions to the leadership of the party and commands support in Caucus. He is the best debater on the Government side and the most fluent speaker, but his horizon is bounded by his East Sydney electorate and he consistently refuses to go abroad for fear that he would be compromised. He is a most bitter political opponent and is prepared to go to any lengths to discredit opponents. Nevertheless, it is not beyond the bounds of probability that he will succeed Mr. Chifley. Mr. Calwell, the Minister for Immigration, whose attitude is somewhat similar to that of Mr. Ward, commands support in Victoria, and Mr. Rosevear, the Speaker, is an able man. Otherwise the Government is devoid of electioneering talent. They will have the whole press against them, but as the same thing happened in 1943 when they won, they are probably not unduly perturbed.

11. But the Opposition is no better off. Mr. Menzies although a man of great talent, lacks the common touch and cannot divest himself of the slightly superior air with which he regards all men and all things. He is not in any sense a popular leader although a great parliamentarian. His own party do not appear to be very happy under his leadership and from time to time rumours are rife as to his displacement. The difficulty with which the party are faced is that of finding an alternative. Mr. R. G. Casey has been suggested, and there is little doubt that some of the difficulties which Mr. Casey has encountered in securing a nomination for the forthcoming election have been due to Mr. Menzies' dislike of a rival to the throne. Mr. Casey himself has disowned any ambition to the leadership, but this must be taken with a grain of salt. It is doubtful, however, whether Mr. Casey, with his viceregal background, would be acceptable to the rank and file of the party, or whether he possesses those qualities which Mr. Menzies lacks. The return of Mr. Casey to politics and a seat in the Cabinet, would, however, be a source of strength to his party, and it is a matter for regret from the point of view of the political scene generally that he is not contesting a seat at the election.

12. The constitution of the House of Representatives at present is as follows:—

Labour	...	...	...	...	...	49
Liberal	...	...	...	...	...	15
Country Party	...	...	...	...	...	10
Independents	...	...	...	...	...	...

To be able to provide a Speaker and have a bare majority the Opposition must win 13 seats, a large number in a House of 75, so large indeed as to represent a landslide. On the other hand, the Labour Party can afford to lose 11 seats and still retain a bare majority. New South Wales will, as always, be the critical area. In that State Labour at present holds 21 out of 28 seats, and here, if anywhere, the Opposition may hope to recover a few seats. Of the 20 seats in Victoria, Labour holds 9, the Liberal Party 7, the Country Party 4. The Opposition can hardly hope to improve its position in Victoria. In South Australia, Labour holds 5 of the 6 seats at present, and it is thought that the Opposition have a chance of winning two or even possibly three seats in that State. In Western Australia, where, largely owing to the personal prestige of the late Mr. Curtin, Labour won all five seats at the last election, the Opposition might hope to win back one or two seats, and it is significant that Mr. Menzies has been devoting considerable time to wooing the electors in that State, and that it is in Western Australia that Mr. Chifley will open his campaign.

13. The Labour Party are very confident of victory and there appears to be no reason to doubt but that they will be returned to power although they will probably lose a number of seats estimated by competent judges at about six. This will leave the Labour Party with a good working majority. If, however, there should be another industrial upheaval with consequent unemployment, the resentment of a large section of the electors, whose patience has already been strained almost beyond endurance by discomforts caused by power, lighting and transport restrictions necessitated by coal shortages, might find expression in a vote against the Government on a sufficient scale to upset these forecasts.

14. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

W. C. HANKINSON,

(For the High Commissioner).

[W 10214/140/68]

No. 8

AUSTRALIAN FEDERAL ELECTIONS.

Memorandum by the Dominions Office.

A GENERAL election was held on the 28th September for the Federal Parliament of the Commonwealth of Australia. Owing to the delay in counting postal and army votes, votes from remote districts and second preferences, the final figures have only just become available. For the House of Representatives they are as follows:—

Labour	...	...	...	...	...	43
Liberal	...	...	...	...	...	17
Country Party	...	...	...	...	...	12
Independent Labour	...	...	...	...	...	2

In the last Parliament, elected in 1943, the figures were:—

Labour	...	...	...	...	...	49
Liberal	...	...	...	...	...	15
Country Party	...	...	...	...	...	10

The Northern Territory seat is not included in the above figures, as the member for the territory has no vote except on territory matters.

2. The election was fought on the basis that the Liberal and Country Parties if returned would form a coalition Government. Apart from the general issue of "private enterprise," the chief plank in their platform was reduction of taxation. Mr. Menzies, the Liberal leader, had promised an all-round cut of 20 per cent. in addition to the 11 per cent. cut for the current year already made by the Government. Mr. Fadden, leader of the Country Party, promised an even greater reduction (28 per cent. in addition to the present cut). Both leaders promised a revision of the procedure for dealing with industrial disputes. Their proposals included legislation to prohibit strikes and lockouts in disputes that could be settled by some competent tribunal. In external affairs the Liberal policy aimed at a closer integration of British countries with a view to ensuring unity on all major matters involving world security. It also supported trade preference within the British Commonwealth, and acceptance of a full Australian share in co-ordinated schemes of Commonwealth defence.

3. The Labour Party did not formulate its policy in such positive terms and relied mainly on its past record. Its defence policy, according to the Prime Minister, was governed by two fundamental considerations: (1) the security system that can be developed by the United Nations, at whose disposal Australia must be prepared to place forces; (2) the need to relate the forces maintained to measures of co-operation in the defence of the British Commonwealth. On the question of imperial preference, the Prime Minister stated that, whilst accepting invitations to be represented at oversea trade discussions, the Government did not feel committed to reduce or eliminate any margins of preference that Australia now enjoyed; though desirous of freeing international trade from unduly restrictive barriers, it would make concessions only in return for useful compensations. He maintained that Australian co-operation with the United Kingdom had never been more realistic or more cordially reciprocal than under the Labour Government.

4. Simultaneously with the general election, a referendum was held to determine whether additional legislative powers should be conferred on the Federal Parliament in respect of—

- (i) Social services.
- (ii) Marketing.
- (iii) Industrial questions.

While a majority of electors were in favour of conferring these powers in all three respects, the necessary majority of States in favour of this constitutional change was secured only in respect of social services.

5. The following extracts from despatch No. 476 of the 8th October from the United Kingdom High Commissioner in Canberra to the Secretary of State for Dominion Affairs give a preliminary survey of the election results.

Dominions Office, 17th October, 1946.

Enclosure in No. 8.

Extract from Despatch No. 476 of 8th October, 1946, from Mr. Williams (Canberra) to Viscount Addison.—(Received in Dominions Office 15th October.)

* * * * *

2. The election now being over, the Labour Party is resting on its laurels and congratulating the Prime Minister on his conduct of the campaign (which was a source of worry to many of his supporters), whilst the Opposition parties are engaged in a stocktaking to determine the reason for their disappointing showing. Almost as much ink is being spilt over post-mortems as was used in the pre-election campaign.

3. The hopes founded by the Opposition on the reaction to Mr. Menzies' policy speech and the determined refusal of the Prime Minister to make any counter to the Opposition policy of tax reduction have been found to be unjustified, and the failure of the electorate to rise to the tempting bait was a severe disappointment to the Opposition. It may be, as the Deputy Leader of the Opposition has somewhat ingenuously put it, that "The electors did not believe us," but Mr. Casey is probably not far off the mark when he says that present conditions found many people well off and that they were prepared to leave things as they are. Nevertheless, the voting in many constituencies was so close that a few hundred votes in these electorates would have lost the Government the thirteen seats which the Opposition required to obtain a majority.

4. In explanation of the lack of success of the Liberal and Country Parties, despite the positive programme which they put forward compared with the purely negative policy of the Labour Party, various reasons are suggested. The Opposition, it is said, suffered because their respective leaders were not in complete agreement as to their tax reduction proposals. It is unlikely, however, that the electors paid much attention to such differences as arose between Mr. Menzies and Mr. Fadden in setting out their tax policy. Although the fact that in many rural constituencies both the Liberal Party and the Country Party ran candidates did not mean a split vote owing to the mutual exchange of preferences, it must be a source of confusion to the electors to see two Opposition candidates contesting a seat against a single Government supporter. But possibly the principal disadvantage from which the Opposition suffers is that, although generally in harmony, the Liberal and Country Parties did not address the electors with a united voice. Labour propaganda was able to exploit such differences as existed and to raise doubts in the minds of the voters as to whether, if elected, the two Opposition parties would be able to work together on a common policy. The failure of the Country Party candidates in rural electorates suggests that the party's claim to be regarded as the spokesman of primary producers cannot be sustained and the merger of the two parties into one would seem to be essential if the Opposition is to win an election. The personal ambitions of the leaders have been probably the main factor preventing the union of the two parties hitherto, and the results of the recent elections may bring home to the Opposition the handicap under which they labour owing to the existence of two parties which are in most essentials one.

5. The question whether Mr. Menzies is not a liability as a leader of the Liberal Party is also being canvassed by those who are seeking a scapegoat or have a private grudge to exploit. It is agreed that he has fought the battle of his political life and to the impartial observer his performance was impressive. His policy speech was easily the best and the only constructive one delivered. But Mr. Menzies has now twice led his party in defeat and it is not surprising that some of his disappointed supporters should be asking themselves whether an election can ever be won under his leadership. *The Sydney Morning Herald,*

which is notoriously anti-Menzies, whilst praising him for his conduct of the campaign and for a "policy speech of constructive brilliance," says that he proved unable to overcome "the handicap of his personal unpopularity" with a large section of the electorate, which, it is claimed, correspondents who followed the campaign found particularly marked. It is admitted by all, however, that if the Liberal Party decide to change their leader, the selection of a successor would present considerable difficulty. Mr. Fadden can hardly be seriously considered as a joint leader, Mr. Hughes is far too advanced in years for the position (although he himself probably would not think so), and both he and Mr. Spender have not yet been quite forgiven for their temporary desertion of the party to continue as members of the War Advisory Council when the party decided to withdraw from membership of that body. The Deputy Leader of the Liberal Party, Mr. Harrison, occupies that position solely because he was found to be the less unacceptable of the two Liberal members from New South Wales, and the only serious alternative is Mr. Holt, one of the younger members of the party. Mr. Casey has again been mentioned. He now has the advantage of being free from association with the recent defeat, but, apart from the fact that he has no seat in Parliament and that there is no sign of anyone being willing to retire in his favour, it is doubtful whether "Bengal" Casey would be any more popular with the man in the street than "Pig-iron Bob," a name bestowed upon Mr. Menzies because he was Prime Minister when the waterside workers objected to the export of pig-iron to Japan before the war. In any event, as one observer has caustically commented, "The Liberal Party will be helping no one if it blows out its brains." Mr. Menzies might solve the difficulty for his party (and place them in a quandary) by resigning from the leadership. He made great financial sacrifices when he entered Federal politics (probably greater than any man) and he cannot be said to have got much out of it. He works very hard as a politician and any show of ingratitude on the part of his followers may drive him to a decision to withdraw from Federal politics. Mr. Menzies' public statements following the election do not suggest, however, that he has resignation in mind: "As some half-hearted attempt has been made in quarters outside the Liberal Party to discuss my own attitude and future, I should perhaps add that the loss of one round does not mean the loss of the fight, and I did not undertake my own battle for Liberalism only to be wiped out at the first reverse. Indeed, the vital fact is that we have not suffered a reverse."

6. Whatever may be the effect of the election on the position of the Leader of the Opposition there can be no doubt that the Prime Minister has strengthened his position with his party. It is understood that he was personally responsible for the decision to fight the election entirely on the Government's record and obstinately refused to budge from this position. By so doing he took a great political risk, the wisdom of which was doubted by many of his supporters. His programme could hardly have appeared more unattractive politically if he had set out purposely to make it so, but the result (which may or may not have been influenced by the Prime Minister's attitude) has certainly been to consolidate his already strong position with his party. This policy has, moreover, resulted in the Government being returned without being committed to any definite election pledges.

7. In the Senate the election has given the Government an overwhelming majority. This has brought up once more the question of the system whereby the Senate is elected. Half the members of the Senate retire every three years simultaneously with the General Election (although defeated Senators retain their seats until the following June). As voting for the election is on a ticket, *i.e.*, the elector votes for the party group of candidates and not for individuals, the Senate elections naturally follow the party vote, and a Government which survives two elections (as has the present Government) is sure of capturing most, if not all, of the seats in the Senate. Thus, on this occasion the eighteen Senators elected in 1943 were Labour Senators. The other eighteen (some of whom were Labour members) retired to seek re-election this year. With the exception of the three Queensland Senators (two Liberals, one Country Party), all the Senators elected are Labour, so that the Government has thirty-three of the thirty-six seats in the Senate. Thus little more than 50 per cent. of the electors have secured a monopoly of the representation in the Senate. This entirely destroys the function of the Senate as a House of review and as a guardian of State rights. Mr. Menzies in his policy speech indicated that, if returned to power, this was one of the constitutional questions which would receive attention. The Labour Party are equally interested, as there was an occasion a few years ago in which precisely the reverse situation obtained. A non-Labour Government controlled all the Senate seats except three.

8. Another constitutional issue which has been referred to prior to and during the election is the enlargement of the membership of the House of Representatives (at present seventy-four voting members), which is the same as in 1901 and smaller than the number of members of the New South Wales Legislature. Since 1901 there has been a great expansion of Commonwealth activities, and the population of the Commonwealth has nearly doubled. With nineteen Ministers and a Speaker to provide, even a party with a substantial majority requires the services of half its members as Ministers. This makes it impossible to create a reservoir of men with experience of Parliament and leaves no room for the appointment of parliamentary under-secretaries, which would give younger members an opportunity of obtaining administrative experience in minor posts with a view to taking more important positions later. Both the Prime Minister and the Leader of the Opposition have expressed themselves in favour of an increase in the membership of the House of Representatives and the forthcoming Parliament will probably be the last to meet with the present numbers. Labour Party supporters consider that increased membership, together with the redistribution of seats which will take place in any case next year, will favour Labour and this may be responsible for the confidence which is being expressed by some Labour supporters that the Labour Party, having been returned to power, will remain in office for the next twenty-five years.

9. This is the second General Election which the Labour Party have won with practically no support from the press, and it is fairly convincing evidence that, however the electors form their political opinions, they are not much influenced by the newspapers. Broadcasting has, of course, to a certain extent offset the influence of the press, since not only the policy speeches of the leaders have been broadcast over the national network but other speakers nominated by the parties have been granted broadcasting facilities throughout the campaign, in addition to the time which both sides have been able to purchase on the commercial networks.

10. A noticeable feature of the election has been the total failure of the Communist Party, who ran candidates in fourteen electorates, which were presumably selected for the reason that the party was strongest in those areas. All the Communist Party candidates have forfeited their deposits. The average Communist vote was about 3,500 (in electorates of from 50,000 to 70,000) and the aggregate 50,000, not much more than one half the votes which were discarded as informal. It has been estimated that there are approximately 50,000 members of the Communist Party in Australia, and the voting at the election would seem to confirm this estimate and demonstrates that the influence exerted by the Communist Party in certain unions is not due to their numbers but to their occupancy of key positions.

[W 10501/140/68]

No. 9

*Mr. Williams to Viscount Addison.—(Received in Dominions Office,
24th October.)*

(No. 764.)

(Telegraphic.)

Canberra, 24th October, 1946.

PERIOD immediately before General Election was marked by an almost complete absence of industrial strife. There is no doubt that this arose out of desire of trade union leaders not to embarrass Government at election. With end of election there has been a serious and widespread renewal of industrial unrest, some details of which have doubtless been reported in English press.

2. The States most affected are New South Wales and Victoria, and to a lesser extent South Australia, though there is always risk of extension to other States.

3. Troubles are of two kinds, though both doubtless indicate present atmosphere of unrest and hope in Labour circles that, with return of Labour Government to power they will manage to secure some, if not indeed all, of their demands. In first place there are strikes relating to conditions of work. Thus there was recently a 24-hour strike on the Sydney State Tramways, an organisation noted for its antiquated equipment and financial unsoundness. The strike was intended to draw attention to demands of employees for improved rolling-stock, for issues of uniforms, and for certain changes in superannuation scheme. There seemed little reason for its occurrence, and State Government have now appointed Auditor-General to conduct enquiry into whole position.

4. Wharf labourers at Sydney have now been on strike for some days against action of Stevedoring Commission in suspending waterside workers who failed to join a pick-up on Saturday morning. Matter quickly assumed serious proportions in docks, where there are already some seventy vessels held up, whilst there has been confusion and delay in landing of passengers from liners, and there is probability that cases containing furniture and household goods of recently-arrived American Ambassador will have to return to United States owing to the impossibility of unloading in Australia. Resultant delay in movement of ships may have serious repercussions upon supplies of food and other cargoes to United Kingdom and Far East. Matter is at present in hands of Stevedoring Commission, which has now decided to abolish Saturday pick-ups stop, but it is not certain that this decision will of itself lead to an end of the strike, as the unions have now preferred other claims. Meanwhile, in an attempt to apply the "closed shop" to clerks working in Dalgety's, the large wool brokers, all wool handled by Dalgety's has been declared "black." Results of this strike and wharf strike have been to prevent movement of wool in New South Wales, and wool sales at Newcastle were cancelled as wool buyers refused to attend sales so long as there seemed little chance of moving the wool that they had bought. A fear that these troubles might spread to Queensland has so far proved unfounded, and sales have now been resumed at Brisbane.

NOTE.—In connexion with the above paragraph a subsequent telegram reports as follows: Wharf labourers decided to return to work to-day. They accepted order of Stevedoring Industry Commission abolishing Saturday morning pick-ups on condition that there was no victimisation. Stevedoring Commission have agreed that men's other demands should be considered on the 19th November.

5. It will be observed that the above-mentioned strikes relate to conditions of employment rather than to wages. A much more serious situation has, however, arisen over wage rates, which are at present pegged under National Security Regulations. Workers in the State tramways and railways of Victoria are now on strike, demanding withdrawal of wage-pegging regulations to allow an increase in the basic wage as well as improved working conditions, of which most embarrassing is insistence upon no overtime. There was also a 48-hour rail stoppage in South Australia, and there is threat of a 24-hour stoppage in New South Wales. There is also recrudescence of trouble in foundry works in Victoria which, if continued, will affect other industries relying upon supplies of iron and steel products. So far there appears a demand for raising wages as well as for other improvements in conditions. Situation remains most serious in Victoria, though position of organised labour is far from clear cut. Thus, Australian Federated Union of Locomotive Enginemen has opposed demand for increased wages, on grounds that it would throw whole economy out of gear, whilst strikes have been condemned by certain of leading trades unionists. Prime Minister has so far refused to intervene on grounds that machinery of the Arbitration Court was appropriate authority for dealing with such claims, and that direct action was bound to be harmful to workers. It is believed that Prime Minister expressed similar views at meeting last week with leaders of A.C.T.U., to whom he refused any promise for a relaxation of wage-pegging or increase in the basic wage, on the grounds that any such move would immediately be followed by increased costs of production, which would make it impossible to maintain price controls, and would result in rise in cost of living.

6. In spite of attitude so far adopted by Federal Government, it is clear that there is risk of serious developments, and Prime Minister has after all now gone to Melbourne, where he is conferring with the State Government and the A.C.T.U. These industrial troubles do not arise out of ordinary disputes between labour and employers (who are most frequently the State Labour Governments) but out of unions' dissatisfaction with the Federal Government wage-pegging policy. Underlying this is the desire of organised labour to maintain as a permanent feature of wage structure the heavy war-time wage loadings which they hope to achieve by a substantial increase in the basic wage; these wartime loadings were justified on the grounds of the strain of war work, and to attract labour to essential industries, and are not related to the cost of living. Hence the demand for the abolition of wage-pegging regulations under which, except for minor modifications, basic wage cannot be altered. Present unrest is, however, also symptomatic of gap between political and industrial wings of labour, which is greatly exacerbated by lack of discipline in some unions, particularly those in which extreme Left-wing (or admitted Communist) officials have gained control. It is, indeed, suggested that this disharmony will eventually result in

a split in the political Labour Party, and lead to a repetition of the situation which arose when the Lyons Government was formed in 1932. It is a notorious fact that so-called mass meetings of unions are usually only attended by a small minority of members and, in the case of recent troubles in Victoria, only small proportion of members took part in postal vote which (in spite of being described as a "ballot") required signature of voters on their papers. These troubles have cumulatively serious effect upon Australia's economy, especially as only the most optimistic can believe that strikes will be limited to present proportions, and point may well shortly be reached when Government will have to face grave decisions.

W 12229/140/68

No. 10

ACTIVITIES OF THE LABOUR PARTY IN AUSTRALIA

Mr. Hankinson to Viscount Addison. (Received in Dominions Office, 11th December)

(No. 554)

- Canberra,

My Lord, 4th December, 1946

I have the honour to report that the Federal Executive of the Australian Labour Party met last week. The Federal Executive, which consists of two delegates from each State, is the governing body of the Labour Party between the Triennial Inter-State Conferences which shape the policy of the Party. The Prime Minister himself, save in the unlikely event of his being a delegate from one of the States, only attends the meeting of the Executive as a guest and is liable to be placed on the defensive since the Executive is a watch dog and conducts a periodical inquisition into the conduct of the political representatives of the Party.

2. The two principal subjects discussed at last week's meeting of the Executive were:—

(1) The question of the ratification of the Bretton Woods Agreement which has threatened serious dissension in Labour ranks. The majority of the Cabinet have apparently been won over to support the Prime Minister's recommendation that the Bretton Woods Agreement should be ratified. In November last year the Prime Minister told the Inter-State Labour Conference that "one thing the Labour movement has got to get into its mind is that no one country in the post-war world can live alone . . . that Australia is bound by article 7 of the Atlantic Charter . . . and that the Labour movement will have to be educated in some of the proposals." Despite this, however, there has been in the party a very considerable amount of opposition to ratification led by Mr. Ward (the Minister for Transport) and Mr. Calwell (the Minister for Immigration). The Executive decided by 7 votes to 5 that Australia should sign, after several hours had been spent by the Prime Minister in persuading the Executive to

support him, and then only because the Western Australian representatives apparently departed from their instructions to vote against signature of the agreement. Caucus, however, has deferred its decision, and it is reported in the press that the South Australian Branch of the Australian Labour Party is suggesting that a special conference should be called to consider the matter.

(2) Wage pegging regulations. The Prime Minister has hitherto taken a firm stand against pressure for legislative action as a short cut to satisfy union demands for the abolition of wage pegging, an immediate increase in the basic wage, and a shortened working week. The failure of the recent referendum definitely makes it impossible for the Government to proceed as the Inter-State Conference desired, and the Prime Minister has laid it down that the decision on hours is a matter for the Arbitration Court. On wage pegging, however, his attitude appears to have undergone some change. It has been reported that he has promised the Federal Executive that the modification of the regulations will receive attention, and that he hopes that an announcement as to the Government's intentions will be made before the end of the year. The attitude of the Labour Party on control tends to be to urge the tightening of price and other controls and the relaxation of wage controls—but as is pointed out it will not be possible to hold prices if wages are allowed to spiral. In international affairs the Labour Party also tends to select those co-operative associations which are obviously advantageous, *e.g.*, the International Labour Office, and to reject those which involve distasteful obligations, *e.g.*, Bretton Woods.

3. The Federal Executive also decided to appoint a standing sub-committee to consider industrial unrest as it develops,

a step which is regarded by the Australasian Council of Trade Unions as an unwarranted interference by the political wing of the party in the affairs of the industrial side. It is suggested that the action has been taken to offset Communist domination in disputes handled by the Australasian Council of Trade Unions.

Activities of Mr. John Lang

4. The Government have had several embarrassing moments in Parliament due to the arrival in the House of Representatives of Mr. John Lang, the Labour Premier of New South Wales from 1925-27 and 1930-32, which has been threatened for many years and has at last become an accomplished fact, thanks mainly to the connivance of the Liberal Party which allotted Liberal preferences in Mr. Lang's constituency to Mr. Lang, who stood as an Independent Labour candidate. This action was taken by the Liberal Party in the expectation (which has since been amply fulfilled) that in the Federal Parliament Mr. Lang would be a thorn in the side of the Government. Mr. Lang has already successfully wrecked three Labour Governments (two in New South Wales and one in the Federal arena) and he was responsible for the disintegration of the Labour Party in New South Wales from the fall of the Scullin Government in 1931 until 1940. Although he was displaced from the leadership of the New South Wales Labour Party in 1939 he continued to intrigue within the party, and as late as May 1940 was the moving spirit behind the breakaway of Mr. Beasley and four other members of the Federal Parliamentary Labour Party to form a non-Communist branch of the Australian Labour Party. This schism was only healed when the Labour Party accepted office in October 1941 and Messrs. Beasley, Ward and Lazzarini (three members of the cave) became Ministers. (Mr. Rosevear, another member of Mr. Beasley's group, became Speaker in 1943.) Mr. Lang has continued to plough a lone furrow in New South Wales and unsuccessfully contested a seat at the Federal election of 1943. He has been a consistent critic of the Federal Labour Government and a bitter opponent of communism. Although he is 70 years of age he seems to have lost little of his fire, and his incursion into Federal politics as an Independent Labour member has undoubtedly given the Government some concern and has already caused them considerable embarrassment. As the result of an Opposition manoeuvre and the unpreparedness of the Government, his speech on

the Address in Reply was allowed to go unanswered and the debate concluded without a single Minister having spoken. A first attempt by him to speak in the budget debate was, he claims, frustrated by the action of the Chairman of Committees, but at a second attempt he succeeded in obtaining the call and delivered an attack on the Government for its failure to carry out the Labour policy. The Speaker (Mr. Rosevear) was selected by the Government to reply. Mr. Rosevear is a good debater and occasionally takes the floor when the House is in committee, when the Government is in difficulties. On this occasion Mr. Rosevear delivered a bitter personal attack on Mr. Lang, and the spectacle was seen of the Speaker of the House indulging in party invective, and of a former disciple of Mr. Lang, whose slogan when Mr. Lang was Premier of New South Wales was "Lang is right," describing some of the measures of his former idol's administration, which at the time he lauded to the skies, as the most reactionary and dictatorial that Australia has ever experienced. Mr. Rosevear was apparently induced to step into the breach by the refusal of Ministers (notably Mr. Ward, another of Mr. Lang's former disciples) to answer his old leader. He was assisted by a private member who described Mr. Lang as "one of the most sinister figures who ever disfigured the public life of this country." It was not that there was any difficulty in answering Mr. Lang's attack on the budget (his main point was that it failed to give effect to the Labour Party policy that all earnings under £300 per annum should be exempt from income tax), but that he had to be discredited, which meant a good deal of washing of the party's dirty linen in public. Mr. Ward and Mr. Calwell (the other masters of invective in the Government) are still too close to Mr. Lang to be willing to buy into this fight, although on another issue Mr. Calwell was goaded into an attack on Mr. Lang. Mr. Lang's vote alone will, of course, give the Government little concern. The danger is that he may become the leader of a group similar to the Beasley group of 1931-40 and gather round him a few dissatisfied members of the party and gain some support in Caucus. With a single exception every Labour Government which has enjoyed power in the Commonwealth Parliament has fallen only after a split within the party, and it is this possibility which must be causing the Government some misgivings. Intending rebels will no doubt be encouraged by remembering that membership of the Beasley group proved to be a sure road to

office. The only members of that group who have not held portfolios or received other preferment are Mr. Gander, who lost his seat in the 1943 election, and Mr. Mulcahy, who is still a private member. The Opposition did not fail to twit Mr. Rosevear when he was answering Mr. Lang that he owed his political preferment to that gentleman.

5. Mr. Lang was the cause of another incident in Parliament when he moved for the tabling of papers relating to the recent entry of 200 aliens from the Middle East, alleging that the former Labour Member for Reid (Mr. Morgan), whom he defeated at the recent election, had retained deposits of £5 which accompanied each application for an entry permit and had charged £20 for successful applications. Mr. Lang also alleged that another Labour member (the recently appointed Chairman of Committees) was paid a fee "to keep applications moving" when they were delayed in Government Department. Both the parties concerned have denied these charges (which were made anonymously during the election campaign), although Mr. Morgan (who is a solicitor) appears to have acted in a professional capacity in submitting applications from aliens for entry permits, for which services he states he received no more than a proper fee. Mr. Lang claimed to be in possession of a copy of a report of the Commonwealth Security Police, which he said states that Mr. Morgan had set up an organisation for getting into touch with victims of fascism in Europe and arranging for them to obtain landing permits in Australia. He alleged that a profit of £8,000 had been made under the "Morgan plan." Mr. Calwell refused to accede to Mr. Lang's request for papers (although he promised to show the file to the Leader of the Opposition) and made a vitriolic attack on Mr. Lang. He said that the Security Department file had mysteriously disappeared in 1941 when similar charges were made against Mr. Morgan, and that the file "got into the hands of a crook in Sydney and campaign director for the Member for Reid (Mr. Lang)." In his reply to Mr. Lang, in the course of which he described that gentleman as Australia's "Julius Streicher," Mr. Calwell charged Mr. Lang with having obtained £20,000 from an industrial firm in Sydney under the threat of repressive legislation. On 3rd December the Leader of the Opposition, Mr. Menzies, moved the adjournment of the House to discuss the appointment of a Royal Commission to enquire into the allegations made by Mr. Lang and the counter-charges made by Mr. Calwell.

After the Attorney-General, Dr. Evatt, had explained the limitations in the power of the Commonwealth in connexion with Royal Commissions, the Prime Minister moved the closure which was carried on party lines and the motion for the adjournment was negatived on the voices.

Appointments to Government Posts

6. The Government have also been under fire in connexion with the appointments to Government positions of a number of Labour members of the late Parliament who were unsuccessful at the elections. The former Deputy Prime Minister, Mr. Forde, has been appointed as High Commissioner in Canada; Mr. Martens (who failed to secure the selection as Labour candidate in his old constituency) has been appointed a Director of Commonwealth Oil Refineries; Mr. Bryson has been appointed Private Secretary to the Minister for the Army, and Mr. Mountjoy (a railway guard and a member of the Railway Executive before entering Parliament in 1943) has been appointed a member of the Council for Scientific and Industrial Research, where he joins Sir David Rivett, Dr. A. E. V. Richardson, Dr. Clunies Ross and Dr. C. White. The appointment of either Mr. Frost (former Minister for Repatriation) or Mr. Breen (who were both defeated at the election) to the post of Minister to Moscow is regarded as a possibility. When the case of Mr. Mountjoy's appointment to a purely scientific body was raised in Parliament, the Minister for Post-War Reconstruction said that Mr. Mountjoy "will be able to decide whether atomic energy could be applied to raising the standard of living," and that the appointment would ensure that the workers' viewpoint is taken into account in relation to research. Mr. Mountjoy is accused (with what truth is not known) of having been a member of the Communist Party (he could not still be a member of that party and also a member of the Australian Labour Party), and a question was asked in Parliament whether, in view of the connexion of the Council for Scientific and Industrial Research with atomic research and experiments on guided rocket missiles, and of the revelations which had been made of Soviet spy activity all over the world, "there was a grave danger of this secret information being betrayed to the Soviet by Mr. Mountjoy." It was stated in reply that Mr. Mountjoy had no connexion with the Communist Party. The matter has again been raised during the debate on the estimates.

7. These appointments have been the subject of widespread criticism by the press and public. It is not claimed that the Government is offending against the accepted practice of Governments in exercising their patronage in favour of their supporters, but the number of such appointments which have been made since the election and the conspicuous absence in some instances of any qualifications on the part of the recipient for the post have invited the criticism that the Government policy in this matter is one of "spoils for the loser."

Participation of the Speaker in Debates

8. Mr. Rosevear, the Speaker, has made a public statement in reply to the charge that he belittles the dignity of his office by participating in debates as a private member. This is not the first occasion on which exception has been taken by the Opposition to the conduct of the Speaker. Last session the Opposition moved a vote of censure (which was lost after the application of the "gag," the voting being on strictly party lines), and at the commencement of this session the Opposition opposed Mr. Rosevear's election as Speaker on the

ground that they were not satisfied with the impartiality of some of his judgments. The Speaker of the Australian House may at some time in the future return to party politics and "keep his eye in" by occasionally taking part in debates in Committee—and the fact that any contribution he makes is now broadcast may not be without influence. In his recent statement Mr. Rosevear pointed out that he is not the first Speaker to do this and quoted "May's Parliamentary Practice" to show that a Speaker is entitled in Committee to speak and vote like any other private member. The gravamen of the criticism directed against Mr. Rosevear, however, is not so much that he occasionally takes part in debates as that when he does so his contributions are extremely partisan in character.

9. I am sending a copy of this despatch to the United Kingdom High Commissioners in Canada, New Zealand and the Union of South Africa, and to the United Kingdom representative to Eire.

I have, &c.

W. C. HANKINSON,

(For the High Commissioner).

W 465/25/68

No. 11

SPEECH BY DR. EVATT ON INTERNATIONAL AFFAIRS

Mr. Williams to Viscount Addison. (Received in Dominions Office 24th December)

(No. 564)

Canberra,

My Lord,

12th December, 1946

In my despatch No. 372 of 30th July I had the honour to review the foreign policy of Australia as it has developed under the impact of Dr. Evatt's considerable force and ability. As I made plain in that despatch, this foreign policy was essentially Dr. Evatt's own, and in his frequent and protracted absences from this country the House had been given few opportunities of receiving any explanation of that policy and little or no chance of commenting upon it. That had indeed been one of the justifiable grievances of the Opposition. Dr. Evatt did not, however, return before the end of the session, and it was only after the House reassembled in November that it was afforded an opportunity, albeit fortuitous, to discuss foreign affairs; the debate on the Address collapsed suddenly in its second day after a vigorous and embarrassing attack upon the Government's Labour orthodoxy by Mr. Lang (to which the Government were not ready with a reply) and the necessity arose to provide

some business for the House at short notice. As a result, Dr. Evatt made a report by leave to the House on international affairs on 10th November, a copy of which was enclosed in my despatch No. 526 of 12th November.

2. Opening his speech, the Minister explained that he proposed to report on four matters: firstly, the progress of the peace settlements; secondly, the main business of the United Nations Assembly; thirdly, matters in the Pacific; and, fourthly, general trends and principles whose discussion would be of assistance to the Government and to Australia. Upon the first subject Dr. Evatt said that during the war the control of strategy of the United Nations was almost exclusively in the hands of the United Kingdom, the United States and Russia, and in its course commitments were occasionally made which related not only to the control and supervision of the war effort, but also to the peace settlements, as, for instance, the Cairo declaration upon Japan. It was the opinion of the Government that, whatever

might have been done in the actual control of strategy, it was essential that belligerents, which took an active and sustained part in the fighting, should participate effectively in the peace settlements. On these grounds, when the Council of Foreign Ministers met in London for the first time, the Commonwealth suggested that countries such as Australia and the other Dominions should be associated with the Council for the purpose of drafting treaties, or, alternatively, that decisions reached by the Council should be submitted to a free and open conference of all belligerents.

3. The Minister for External Affairs then dealt at some length with the history of his activities on voting procedure during the Paris Conference, and explained that, whilst Australia's interest in the European settlements was not so close as her interest in that of Japan, the matter concerned her particularly, as it was possible that the same procedure might be applied in the preparation of the Japanese treaties. Continuing with the Paris Conference, he set out the difficulty which arose out of the agreement amongst the four Powers that they would all oppose any recommendation unless all of them agreed to the proposed modification—a procedure described by an Opposition interjector in the trades union parlance of "One out, all out." The effect of this procedure was that it was impossible in practice to secure an amendment in respect of some clauses requiring the consent of the four Powers and to prevent the acceptance of such proposals of the Australian Government as those regarding Trieste and the Italian colonies. After a reference to his suggestion for a Court of Human Rights, Dr. Evatt passed on to the Australian proposal for the reconsideration of treaties, which was of particular interest owing to the possible repercussions upon the Pacific settlement, but which suffered no more fortunate fate. He mentioned that a number of matters were discussed at the Prime Minister's Meeting in London, but that the difficulty in the way of the United Kingdom Government was, as he somewhat naïvely put it, that "unless they accept certain things which we do not like we shall not be able to get the things which we prefer."

4. Passing on to the Assembly meeting, Dr. Evatt explained at great length his views upon the veto and his proposals for its abolition in matters relating to peaceful settlements and adjustment. Dealing with the question of atomic energy and disarmament, he described the attitude of the United States, and particularly their

requirements for an international system of inspection and control, as not unreasonable. Summing up a long passage on the Australian activities at the Assembly, he said that the sole object of Australia had been to make the Charter workable. It was useless to debate matters publicly at great length without reaching any result, and he considered that this view was gaining ground throughout the world and that most nations were in favour of some modification on the lines Australia had suggested.

5. Turning to the Pacific, Dr. Evatt first explained the constitution of the Far Eastern Commission at Washington and of the Advisory Council at Tokyo, and pointed out that so far General MacArthur had received no policy direction from Washington and that this absence was embarrassing to the administrative body in Japan, which was supposed to deal with the execution of the policy already settled by the Far Eastern Committee at Washington. Moving nearer home, Dr. Evatt first dealt with the discussions over Manus Island, and pointed out that whilst there were several alternative courses, Australia was the mandatory Power over the territory and could not dispose of it as she liked. They had had consultations with the United Kingdom and New Zealand Governments and had decided that in order to obtain the continued co-operation of the United States in the security of the region they would be prepared to enter into an arrangement which would provide, among other things, for the reciprocal use of bases in that area. That view, Dr. Evatt said, commended itself to the United Kingdom and New Zealand Governments and to those United States authorities with whom he had discussed the matter. He had every reason to suppose that a satisfactory arrangement would be reached with a view to sharing the necessary expense and heavy obligation imposed by the defence of such a vast area of the Pacific. Passing to the question of the welfare of the peoples of that area, he referred to the South Seas Commission proposed in the Anzac Pact and to the conference to be held in Canberra next January for the purpose of inaugurating the commission. On the subject of trusteeship he referred to the proposed article 7 of the Trusteeship Agreement in respect of New Guinea which gave Australia authority to provide for defence of the territory, and, in welcoming the grant of trusteeship of the former Japanese mandated territories to the United States, pointed out that the whole basis of the trusteeship would be that these islands would be security areas.

6. Summing up, he said that Australia would continue to make the fullest contribution to the work of the United Nations in accordance with the principles laid down in its Charter and in the Atlantic Charter. Emphasis on security alone was not enough. Australia must also take her place with others in an attempt to deal with economic problems. The primary interest of Australia was the Pacific, and Australia and New Zealand might be regarded as trustees for British democracy, particularly in the Western Pacific, though it did not mean that they could not play a part in other regions and the principles laid down in one set of treaties tended to be accepted in the formulation of others. As to Empire co-operation, he said that there was no basis for the suggestion that the Commonwealth did not intend to maintain the closest consultation with the United Kingdom Government. In his view, relations between the two Governments were as close, if not closer, to-day than at any time in history, though it did not necessarily mean agreement on every point. The characteristic feature of the British Commonwealth was that it was possible for its members to disagree, but that there was a certainty of agreement on all major issues. At this point Dr. Evatt paid a tribute, not only to the hard work of the Australian delegations, but also to the unfailing assistance received from the New Zealand representatives. Replying to an interjection on the same subject at an earlier stage in the debate, he also said that whilst consultation might appear sound theoretically, in practice it was difficult, though the machinery for doing so might be improved. Reverting to the difficulties over the veto, he pointed out that as a result of its use the tendency was to concentrate criticism upon the Soviet Union. It was necessary to recognise the enormous contribution of Russia to the Allied victory, but he would like to suggest to those who said "don't get tough with Russia," that Russia should also not get tough with the democracies. The point about the veto, in fact, was that if it were retained in its present form it would simply result in making the Security Council unworkable. He deprecated a pessimistic attitude at this early stage towards the United Nations Organisation, but felt that Australia should not lightly give up certain principles which she regarded as vital. He always kept firmly in mind the contribution which Australian servicemen had made in both world wars. Australia must do everything to preserve peace, and the real enemy was not the

atomic bomb but war itself, and it might even be said that the real enemy was not war but the economic and social injustice which led to war. They were doing their best to achieve, after a victory in war, something which was even harder to obtain, that is, peace associated with political, social and economic justice.

7. In accordance with the usual parliamentary procedure, the debate was adjourned on the motion of the Opposition, and was resumed the following week. In opening the debate for the Opposition Mr. Menzies, after thanking Dr. Evatt for his uncommonly interesting speech, drew attention to the fact that, whilst it filled in many gaps in their knowledge of some events, it contained the underlying truth that, since the war ended, almost all international debates had been on matters of procedure and not on matters of substance. Upon this aspect he quoted from one of E. H. Carr's books to the effect that there is a kind of naïve arrogance in the assumption that the problem of the government of mankind can be solved out of hand by some neat paper construction of a few small-minded enthusiasts. For the last year, he continued, much the same paper organisation had been under continuous discussion, but meanwhile we did not seem to be very much nearer to determining those real substantial matters which would determine whether the world should remain at peace or should become involved in another war. He quoted a remark from Dr. Evatt's speech that the Security Council could do little beyond debating matters without reaching any result and invited members, consequently, not to regard the matter of peace-making in the world as something which had been kindly taken off their shoulders, or out of their hands, by the setting up of the United Nations Organisation. The problem of peace still imposed enormous responsibility upon Australians, not only as citizens of a country signatory of the Charter, but also as members of the British Empire, the importance of which had increased and not diminished since the war. That was a problem, Mr. Menzies maintained, which was one of substance.

8. Mr. Menzies then moved to one of his favourite subjects and asked what weight was to be attached to the British Empire as a great world Power and what was to be the position of the Dominions in relation to the United Kingdom. He swept away objections to the creation of an Empire *bloc* with the remark: "We have no reason to apologise for an Empire *bloc*. There has been an Empire *bloc* in the world for a hundred years, and it has been the

greatest factor for decency and order that the world has known in that time," and the weight which attached to the British Empire in the post-war world was one of the big factors which would determine whether peace would be kept. He considered that these matters, together with Imperial preference and the effect of the American loan and of lend-lease, should be the subject of another debate and thus passed on to the question of relations with the United States. Quoting Johnson's "A man should keep his friendship in constant repair," he suggested that one of the difficulties which required discussion was that of the use of bases in the Pacific. A lesson of the war was that the greater the interest of the United States in the South-West Pacific, the better it was for Australia, and he suggested that a common understanding and policy with the United States in relation to world affairs, including economic affairs, would do more for the world's peace than all the wrangling over procedure of the last twelve months.

9. Turning to relations with Russia, he pointed out that Russia was not a democracy but was a country that believed genuinely in self-help, and advances which Russia had made of a territorial kind were impossible to reconcile with the Atlantic Charter or the United Nations Charter. It was also a country that was powerfully armed and becoming, with the passage of time, comparatively more so. Moreover, the Russians were a touchy people who rather suspected the Western democracies. It was well to face these facts. The question, Mr. Menzies said, was how to achieve a common understanding between the Western democracies and Russia. There followed a sufficiently biting, though superficially impersonal, attack upon the methods of bitter wrangling in the full limelight of modern publicity at the Security Council, which was clearly directed (and was so interpreted by subsequent speakers on the Government side) as an attack upon Dr. Evatt's notorious methods of diplomacy. His conclusion was to ask whether it would be possible to achieve understanding with the Soviet Union by such a process of public debate.

10. Mr. Menzies then posed a number of questions, without proffering any answer, as to the long-term treatment to be accorded both to Germany and to Japan, and uttered a warning against the belief that "by the merest establishment of a half-dozen boards we can convert a country from devotion to a dictatorship to devotion to

democracy." Artificial systems of Government imposed from without had a habit of falling down at the first pressure, and much stuff now being published about the growth of democracy in Japan could only be described as childish self-deception.

11. Finally, Mr. Menzies turned to what is, indeed, the Achilles' heel of the conduct of foreign affairs by the present Government—the Netherlands East Indies. The history of Australian relations with the Netherlands East Indies was, he said, intensely discreditable and reflected gravely upon a Government which, for the whole of that time, had been publicly defeated and publicly humiliated by a few Communists on the waterfront. All the wise words which Australia might contribute to the settlement of peace terms with Finland or Roumania would not matter so much, if at home, in a matter in which they were so closely concerned, they must confess to utter failure and utter impotence.

12. Despite the ruefully expressed views of one speaker on the Government side that, as the debate did not relate to wheat or wool, it would collapse almost immediately, it in fact continued for four days, and it is alleged that all members on both sides who wished to speak were given an opportunity to do so. The cynical may suspect that this opportunity arose more from the lack of Government preparation of other business than from the intrinsic importance attached to the debate. Moreover, it was noticed that attendance, particularly on the Government side, was poor. At the risk of a too easy generalisation it may perhaps be said that the Opposition liked to regard its attitude as one of realism and security, and the Government's as one of idealism and hope, of which perhaps the best instance was an appeal by Mr. Haylen (Member for Parkes) to "concern ourselves with the future of the little man" and to produce a peace formula which he could understand by stripping the subject of foreign affairs of legalistic jargon and taking it away from the career diplomats and bringing it down to the level of the people. The criticism that was with some fairness directed against Dr. Evatt's speech was that it was largely a recital of past events rather than a statement of policy, and that it was largely a chronicle of continued frustration. In the words of Mr. Spender, the Liberal Member for Warringah, the main criticism of the Government's policy was that its representatives expressed themselves far too much in philosophical terms, avoiding realities. Peace to-day could not

be achieved except through power in some form, and the efficacy of Australian foreign policy could be measured only by the test of whether it did or did not advance the security of the nation. It seemed to Mr. Spender that it was unwise to approach the problem of foreign policy as if the issue were merely a question of whether or not they believed in the United Nations. Australia could play the most effective part in framing the peace when it spoke through the Empire, and to assert the right of Australia to speak as a sovereign entity, against the United Kingdom if necessary, neither advanced her security nor the peace of the world. Referring to Australia's right of consultation before any treaty was made, Mr. Spender pointed out that it was illogical that, whilst the Government was claiming such a right, it denied Parliament any prior knowledge of what attitude would be taken by Australian representatives at international conferences. The Minister for External Affairs, he said, was a man who was a democrat overseas and an autocrat at home. The substance of many of the other comments of the Opposition may be gleaned from Dr. Evatt's subsequent reply. Apart from points of detail, the principal point was, indeed, merely an elaboration on the theme that a foreign policy of a country must aim at that country's security, and that, as Mr. Abbott (Member for New England) put it, Dr. Evatt was more concerned in trying to fight the battle for the small nations than in trying to secure the safety of Australia. Most of the arguments from the Government side were rather a shift of emphasis than a complete disagreement in substance. There was a marked absence of any defence of Russian foreign policy, and agreement to regard her as a non-democratic and realist State whose foreign policy was merely a continuation of the long-term policy of Tsarist Russia. The activities of Dr. Evatt were, however, defended on the grounds that whilst it was not possible to regard the United Nations as a completely successful organisation, it must at least be given the benefit of the doubt and the opportunity for being built up into a strong and valuable organisation. There was considerable criticism from individual private members on the principle of reparations, of the erection of defences in trustee territories and of the Nuremberg trials. It would not, however, be wise to assume that this was more than the view of isolated members and represented any considerable body of opinion.

13. When replying for the Government, Dr. Evatt first dealt with the contention of the Opposition that the Great Powers would in any event not forgo their right of veto, and pointed out the difference (which was generally obscured by the Opposition) between the veto of conciliation and the veto of enforcement, and on these procedural matters he once more underlined the view of the Government side that, whilst the international organisation had its limitations and difficulties, it at least represented the best hope of the world to protect the peoples of the world against the repetition of the catastrophe of war. The policy of the Government in this matter was, in fact, the same as that of the United Kingdom Government; it adhered to the United Nations Organisation and was determined to put its best into it. At the same time, the Government recognised the limitations of the organisation and that it must have the closest co-operation in the British Empire. It was, however, wrong to suggest, as did the Opposition, that the Government was putting all its eggs into one basket. There must be co-operation between the members of the British Commonwealth for defence purposes and there must also be a Pacific regional security arrangement. Continuing, Dr. Evatt said that some disquiet had been expressed by the Opposition during the debate as to the situation developing in Egypt, and he defended the actions of the United Kingdom Government in this matter on the grounds that in all circumstances the British Empire should maintain with Egypt friendly relations based not on force but on agreement dependent on the right of Egyptians to govern themselves within their own country. The greatest security which Great Britain and Australia could have in the Middle East would be offered by countries in that area which were friendly all the time, and which would be loyal allies from the beginning to the end. Turning to Indonesia, Dr. Evatt said that Australia must cultivate the friendship of the peoples in the countries to the north. Not much had been said about the part Australians were playing in the negotiations between the Dutch and Indonesians, but he modestly referred to the fact that the Australian representatives were sitting side by side with the representatives of Great Britain in attempting to settle the dispute. Dr. Evatt then once again developed at length and on familiar lines his argument relating to the right of Australia to be heard upon the peace

treaties and suggested that they were not wrong in such a course when it had won the support of the United Kingdom, the other Dominions and the United States. Answering the suggestions of the Opposition that there should be an increase in Empire co-operation in foreign policy, he pointed out some of the difficulties that would arise, particularly on matters such as the treatment of Indians in South Africa, where strong differences of opinion would be inevitable, and referred in rather obscure terms to objections that would be raised by other Dominions, and in particular by Canada. That, however, did not mean, said Dr. Evatt, that there could not be consultation and co-operation, and in this regard he maintained that the position to-day was better than ever before in history.

14. Reverting once more to his activities at international conferences, Dr. Evatt said that "it was a lonely, difficult and onerous business trying to apply in practice the principles of the Atlantic Charter and the United Nations Charter at international conferences." Finally, he summarised the particular objects of Australian foreign policy in the following words:—

- (1) To follow the principles of foreign policy set out in the Australian-New Zealand Agreement of January 1944.
- (2) To carry out internationally the fundamental principles of the United Nations Charter and the Atlantic Charter, especially in striving to achieve security, *i.e.*, freedom from fear of war and to achieve freedom from want, *i.e.*, economic and social justice for all people.
- (3) To strengthen Australian security by giving full support to the United Nations Organisation; by fully developing British Commonwealth security arrangements, and by developing a system of regional Pacific security in co-operation with the United States and other Allied nations.
- (4) To strengthen our ties of kinship with Britain and the Dominions through co-operation, on the basis of brotherly partnership.
- (5) To demand that democratic principles and practices be followed not only in the United Nations but in the negotiation of the peace settlement.

- (6) To make a positive contribution towards the removal of the causes of war and insecurity, by taking part in all movements for the betterment of colonial peoples, by developing international welfare organisations in the Pacific, and by giving unstinted support to the Economic and Social Council of the United Nations, the International Labour Office, the Food and Agriculture Organisation, and to all such important international bodies concerned with the welfare of peoples.
- (7) To ensure that the Australian viewpoint is effectively presented at all international conferences dealing with peace, security and economic welfare.
- (8) Finally, to ensure effective Australian diplomatic, consular and commercial representation in other countries.

15. Perhaps the most noticeable absence from Dr. Evatt's speech was any reference to the suggestion made by more than one member of the Opposition that a Foreign Affairs Committee of the House should be established, much on the same lines as those in the United States. His reasons are, of course, obvious. As has already been made plain, interest in foreign affairs is somewhat limited, and Dr. Evatt has thereby been able to pursue a foreign policy of his own without the intervention either of his Ministerial colleagues or of the House as a whole. No Minister who has been fortunate enough to maintain such a position for five years is likely to wish to see the creation of a body of self-appointed experts to which he might have, even to some extent, to render a more frequent account than is at present his fortunate practice in his conduct of foreign affairs.

16. The debate, indeed, provided no surprises. If Dr. Evatt's speeches were largely a chronicle of past events, or a broad generalisation of high-sounding, but not very specific objectives, no great help was extended by the Opposition, who preferred posing questions to providing answers. It is probably true that in recent months Dr. Evatt has not been able to claim any very striking diplomatic successes, and it is perhaps significant of his realisation of this comparative failure that he should have had to claim the Indonesian settlement as one of the successes of Australian diplomacy. If, however, it may be said that he has not increased his reputation in

CHAPTER II.—CANADA

[W 16560/390/68]

No. 12

*Mr. MacDonald to Viscount Addison.—(Received in Dominions Office,
3rd December.)*

(No. 558.)

My Lord,

Ottawa, 28th November, 1945.

WITH further reference to my despatch No. 279 of the 11th June about a distinct Canadian flag, I have the honour to report that a Resolution was introduced by the Prime Minister on the 27th September "that in the opinion of this House it is expedient that Canada possess a distinctive national flag and that a Joint Committee of the Senate and the House of Commons be appointed to consider and report upon a suitable design for such a flag." This was finally passed by a vote of 187 to 2 on the 14th November.

2. The flag issue had already been raised on the 1st October by Mr. Church, Progressive-Conservative member, who enquired on what authority the Red Ensign had taken the place of the Union Flag over the Parliament buildings. Mr. Ilsley, in reply to Mr. Church's questions, told the House that it was by the authority of Order in Council P.C. 5888 passed on the 5th September, 1945. This Order in Council laid down that until the adoption of a new Canadian flag the Red Ensign bearing the Canadian coat of arms (hereinafter referred to as the "Canadian Red Ensign") may be flown on "Federal Government buildings within as well as without Canada . . . wherever place or occasion make it desirable to fly a distinctive Canadian flag."

3. A vigorous three-day debate took place before the vote was taken on the Resolution, and the views expressed by various members covered a wide field. It gave an opportunity for the expression of religious, political, racial and patriotic sentiments. On the 8th November Mr. MacKenzie, Minister of Veterans Affairs, submitted the Resolution to the House. He said that narrow nationalism was not the goal of the Canadian Government and added "we are not turning our back on the British Commonwealth and we are not drawing away from the new international community of United Nations." It was a laudable longing, the Minister said, to have a national flag and, he continued, "we are only seeking to give to the spirit of Canada, to the enthusiasm of our people and to the sacrifices of our men in two terrible wars the symbolism that all other nations have joined to create in their national life, the symbolism of a national flag."

4. Early in the debate which followed, General Pearkes (Progressive-Conservative) moved an amendment to the Resolution asking Parliament to adopt the Canadian Red Ensign as the national flag, declaring that it embodied all the requisites for a national flag, that it met the requirements of heraldic lore and was a good flag of which Canada could be proud. General Pearkes felt that much time could be saved by making the decision in the House instead of adopting the Resolution to set up a special committee to deal with the question. This amendment, however, was ruled out of order by the Speaker and the Speaker's ruling was upheld by a vote of 99 to 70.

5. Mr. Coldwell, leader of the C.C.F. party, supported the Government Resolution calling for a special committee, and added that with the selection of a flag there should be recognition of a national anthem for the use of all Canadians and the assertion of Canada's right to amend its own Constitution, as well as the right to interpret its own laws, by abolishing appeals to the Privy Council in London.

6. A second attempt to settle, in part, the design of the flag before the committee was set up was made by another Progressive-Conservative member, Mr. Diefenbaker, who moved an amendment that the Union Flag should be included at the upper left-hand corner of the new Canadian flag. This amendment was also ruled out of order by the Speaker on the grounds that no motion referring a Resolution or other matter to a special or standing committee could be amended. This ruling was appealed against by the leader of the Opposition, Mr. John Bracken, but it was upheld by a vote of 104 to 73. On this occasion the

C.C.F. and Social Credit groups voted with the Progressive-Conservatives against the ruling.

7. Mr. Diefenbaker said that he felt that the Canadian flag should embody two ideas: "One, Canada as a nation with a distinctive flag; the other, Canada within the Empire." He referred to occasions in which the Canadian Prime Minister had intimated that the Union Flag would be used in the Canadian Flag, and he criticised Mr. Coldwell's remark that the Red Ensign was not a distinctive flag. Mr. Diefenbaker briefly outlined the struggle which had taken place in the South African Parliament over a flag for the Union of South Africa. He said that the result of the work of committees and a commission set up for the purpose in South Africa was that there were now two official flags—the Union "Jack," to denote association with the Commonwealth, and a national flag. He quoted General Smuts as saying at that time: "If you mutilate flags, you lacerate people's feelings and in the end you alienate all sympathy from the flag which you establish in that way." Mr. Diefenbaker had little hope that the Canadian committee would produce anything but the most "bizarre and hybrid design" for a flag.

8. The Minister of Justice, Mr. St. Laurent, urged that the flag question be treated in a non-partisan way. "We are not asking the House to choose a flag for a party," Mr. St. Laurent said, "we are asking that there be chosen a flag for the Canadian people, for the Canadian nation" He referred to the Union Flag in the following terms: "None of us in this country at this time regard the Union Jack as a symbol of conquest or of subjugation. It is under the Union Jack that the institutions of the Canadian nation have grown and developed and have brought us to the point where now, and for a good many years, the Dominion is and has been an autonomous State, subjugated in no phase of its domestic or of its external affairs to any other authority than this Canadian Parliament."

9. The political and religious issues were introduced into the debate by a Social Credit and a Communist member. In their discourse the merits and demerits of having a flag whose crosses were symbolical of the Christian religion were aired. The Social Credit member gave vent to his feelings on the activities of the Communists in Canada before Russia's entry into the war.

10. The racial note crept in when a French-Canadian member said that, while he had nothing against the Union Flag, he felt that it belonged to another country. He was of French descent himself, but he did not ask for a *fleur-de-lis* on a distinctive Canadian flag. He alleged that Australia and New Zealand did not have distinctive national flags, but colonial flags. The New Zealand Statute, for example, adopting the flag reads: "The said ensign was to be the recognised flag of the colony, that for general use on shore within the colony, and on all vessels belonging to the colony" Another French-Canadian member (Independent Liberal), Mr. Pouliot, who had already spoken at some length on the "absurd" composition of the Canadian flag, in a bitingly sarcastic speech, accused Canadians of being colonial, and said that if such were the case it was only natural that a Canadian flag should embody the Union Flag. He felt, however, that this should be done in a frank way, and he said "let us keep the big Union Jack so that people will know that Canada is only a colony."

11. At the conclusion of the debate Mr. Coldwell again spoke, saying that he wished to make his position clearer. He said that no one could have a greater love for the British people than he had, nor had anyone derived more from the British Isles, and that he wanted to maintain the closest relations with Britain. But, he went on to say, "the membership of the British Commonwealth must be that of free and equal partners, free and equal people, none subservient to the others."

12. Mr. Church, who had first raised a protest at the Canadian Red Ensign being flown from the Parliament Buildings, felt that nothing should be done at this time that might divide the country and weaken the tie with the "Mother Country." Mr. Church was one of the two members to vote against the Resolution.

13. Probably the most significant feature of the debate was that the Progressive-Conservatives have, in fact, stolen the Government's thunder in strongly advocating the use of the Canadian Red Ensign as Canada's flag. Mr. Bracken summed up the debate by saying that three things were clearly evident. "First, there are those who would prefer to retain the Union Jack and have nothing else as Canada's flag. Second, there are those who would have the Union Jack as no part of Canada's flag. Third, there are those who are willing to have a distinctive flag and to make some compromise to have it." He concluded by saying that his party felt that the Canadian Red Ensign was a flag which might well have been adopted by this Parliament. Mr. Bracken made it clear that it was in expectation that the Union Flag would be in the Canadian Flag that his party would support the Resolution.

14. I am sending a copy of this despatch to the United Kingdom Ambassador at Washington and to the United Kingdom representatives at other Dominion posts.

I have, &c.

MALCOLM MACDONALD.

[W 16561/390/68]

No. 13

Extracts from the Economic and Political Report, mid-October to mid-November 1945.—(Communicated in despatch No. 568 from Canada of the 1st December; received in Dominions Office 5th December.)

I.—Federal Affairs.

A.—House of Commons.

While Mr. Mackenzie King has been absent in the United Kingdom and the United States, Mr. Ilsley, the Acting Prime Minister, has had the rather unhappy task of guiding the Government through a somewhat stormy month of debates. The Progressive-Conservatives have adopted an aggressive attitude, and their apparent obstructionist tactics, particularly in repeated demands in pressing to a division requests for the production of papers, have been resented by Mr. Ilsley. In his desire to press forward with the legislation facing the present session of Parliament, the Acting Prime Minister urged that the Opposition refrain from unnecessary debate, and they in turn have rebuked the Government for what they claim are unparliamentary methods.

The first clash between Mr. Ilsley and Mr. Bracken, Leader of the Opposition, occurred when the latter requested that all Orders in Council passed since the opening of the present session be tabled in the House. His request was refused on the grounds that such a thing had never been done before and that a new precedent should not be established during the Prime Minister's absence. It was also pointed out that the preparing of these Orders in Council for tabling would involve a tremendous amount of work and unnecessary expense, but Mr. Ilsley offered to the Opposition Leader an opportunity to study all the Orders in Council passed and to select any special Orders he wished tabled. Mr. Bracken declined to accept this offer and on pressing his request to a division, was defeated. Mr. Ilsley's refusal to accede to the request has been fully discussed in the press, and even Liberal papers have pointed to the danger of an indefinite continuation of government by Order in Council.

An unexpected constitutional flare-up between the two leaders occurred in a later session when Mr. Ilsley, in appealing to the members to co-operate in expediting the business before the House complained that the time of the House was being taken up in an attempt to govern rather than legislate. He denied a statement by Mr. Bracken that "Canada is governed by this House of Commons" and argued that the authority of the Government was not delegated by the House of Commons, but was received from the Crown, and he supported his statement by quoting the terms of the B.N.A. Act. This might be technically correct, Mr. Bracken replied, but in actual fact the principle was as dead as Queen Anne, and he added that it "was a betrayal of much that Liberalism in Canada claims to stand for." Mr. Coldwell, the Leader of the C.C.F. party, agreed with Mr. Bracken's remarks and held the view that the position of Parliament had changed since the B.N.A. Act was written. Mr. Ilsley assured Parliament that the present Government had withheld nothing that could be placed before it with safety to the public interest.

Not only did the Acting Prime Minister face attacks from without, but also from within his own party. The first division in Government ranks occurred over a C.C.F. resolution advocating the fullest possible use of Port Churchill, Manitoba. The motion asked that the Government should encourage the development of this port or turn the management and control over to a joint board appointed by the Governments of Manitoba, Saskatchewan and Alberta. The Government, while not being really in favour of the proposal, was faced with a possible defeat unless all its members voted solidly against the Bill. In the event the Liberal members split, with the majority voting for the motion, which was passed by a vote of 105 to 24.

An even more serious disagreement arose within the Liberal party over Mr. Ilsley's proposed tariff changes introduced inconspicuously in the Budget proposals. Two substantial increases—20 per cent. on steel pipes and tubing, instead of the pre-war tariff of 5 per cent. and 25 per cent. on diesel engines which formerly entered the country free—caused great agitation amongst Liberal elements in the West and in the Maritimes. The increases were vigorously attacked in the *Winnipeg Free Press* and in Maritime papers as a violation of the Liberal Government's low-tariff policy. One editorial went so far as to say that the Maritimes would not be willing to do business with "a Government at Ottawa which has so clearly demonstrated a penchant for protection." The issue was undoubtedly political rather than economic, as only one plant would have benefited from the proposed tariff. The Minister of Finance emphasised that in imposing this tariff the Government had not in any way adopted a new policy, but with such pressure exerted from within he had no choice but to withdraw these changes.

B.—Legislation.

(a) *Canadian Citizenship and Flag.*

Debates on the proposed Canadian Flag and Citizenship have given Members of the House of Commons and the press an opportunity to voice their religious, racial, political and patriotic feelings. The Citizenship Bill which repeals the Canadian Nationals Act and amends the Nationalisation Act and Immigration Act, establishes the new legal status of "Canadian Citizen" and states that "a Canadian citizen is a British subject."

The resolution to appoint a joint committee of the Senate and the House of Commons to choose a design for a Canadian flag gave the Progressive-Conservatives a further opportunity to criticise the Government. An amendment moved by one of their members asking that the Canadian Red Ensign be adopted as the Canadian flag was ruled out of order by the Speaker on the basis of a standing order which prohibits amendments to Bills or resolutions being referred to a committee, and this ruling was upheld. In spite of this, a further amendment was moved by a Progressive-Conservative member asking that the Union flag should appear in the left-hand corner of a Canadian flag. This likewise was ruled out of order and the ruling upheld. The resolution was finally passed by a vote of 187 to 2, the Progressive-Conservatives making it clear that they supported it, in the expectation that the Union flag would, in fact, be part of the Canadian flag.

(b) *United Nations Organisation.*

The Bill establishing the United Nations Organisation and the statute of the International Court was passed unanimously this month. Mr. St. Laurent, who had been a member of the San Francisco delegation, introduced the Bill and spoke of Canada's contribution at the conference. Mr. Graydon and Mr. Coldwell, also members of the San Francisco delegation, strongly supported the resolution. Mr. Solon Low, the Social Credit leader, deplored the lack of any specific provision in the Charter for the preservation of the Christian principle of "the sanctity of human personality." The Social Credit group could not support the Charter in its present form, Mr. Low said, and moved an amendment calling for a month's educational campaign throughout Canada to enable Canadians to study the proposals and express their will to Parliament before its approval was asked. The amendment was ruled out of order on the ground that it would involve a charge on the national treasury and this ruling was upheld.

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IV.—Armed Services.

A.—Navy.

The Minister of National Defence, Mr. Abbott, recently gave the House of Commons some further details about Canada's post-war navy. As Canada is a two-coast country, Canada will have a two-ocean navy. It will be made up of two cruisers, two aircraft carriers, a number of destroyers and ancillary craft, but it is not yet possible to say what proportion of the navy will serve on each coast. Of the 10,000 naval personnel which will make up the permanent force, 384 officers and 5,625 ratings will serve afloat and the remainder will be employed on shore duty. This will mean that a considerable number of civilian employees will be needed in the peace-time establishment.

Mr. Abbott told the House that there had been no recruiting to date for an interim force and that at present the emphasis was being laid on demobilisation rather than on recruiting. 53 per cent. of the 95,000 naval personnel had already been discharged. A fuller statement on the conditions which will exist in the permanent force will be given before the 31st March.

Canada's first aircraft carrier will be available from the United Kingdom on about the 15th January and a second one six or seven months later. No plans have yet been made for a separate fleet air arm, but the Minister intimated that there would be a branch of the navy made up of airmen who would be Canadians trained in fleet air arm work.

B.—*Army.*

In answer to questions raised by Opposition members as to the composition of Canada's permanent military force, the Minister of National Defence enlarged on his initial statement in his estimates speech. At present the plan is that this force (which would consist of between 20,000 and 25,000 personnel), exclusive of the occupation forces overseas, will consist essentially of a brigade group augmented by two armoured regiments, one medium artillery battery, together with the usual administrative and training elements to assist the reserve army, including a coastal artillery battery on each coast and a composite anti-aircraft battery. In addition there will be staffs, services and personnel for scientific development. These plans, of course, will be more definite when a clear definition of Canada's future military obligations under any world organisation is decided.

The army will be divided into two parts, a full-time permanently-employed active force and a part-time reserve organisation, which will reflect the military potential of the country and on present plans will consist of a force of six divisions. These two forces have not been officially named, but the Minister stated that his preference would be to use the terms "Canadian army, active force" and "Canadian army, reserve force." This matter will be discussed by a special committee on military affairs if, as is likely, such a committee is set up at the next session.

C.—*Air Force.*

During the debate on the War Appropriations Bill in connexion with the R.C.A.F. estimates, Mr. Gibson, the Minister of National Defence for Air, gave some further details about Canada's post-war air force. A planning committee is already working with arrangements for a post-war force of between 15,000 and 20,000 personnel which can be quickly and easily expanded. The air force will continue to work as a separate unit, but it is co-operating closely with both the army and navy, particularly in matters of research, medical services and supplies to avoid any duplication of work in the three services. The Department of National Defence for Air and the Navy Department have been discussing a plan for the training of those who would be employed in a fleet air arm. Satisfactory arrangements could be made whereby the air force would be responsible for training on land and for providing bases and airports for naval flyers when on land; the navy would look after them when at sea. There are five permanent operational stations in Canada at the moment, the Minister said, but he expects that there will be more than five maintained in the post-war set-up. In addition the air force will maintain airports where auxiliary squadrons will be located as well as a training establishment. The question of whether there will be an air force college under the post-war plan is under consideration at the present time, but no decision has yet been reached.

D.—*Alaska Highway and North-West Staging Route.*

The Canadian army is to take over from the United States army the Alaska Highway from Edmonton to the border of Alaska on the 1st April and continue to operate it as a military road. The R.C.A.F., which already controls the airfields on the North-West Staging Route, will take over the land lines on the 1st June. The army and the R.C.A.F. will co-operate in running the route and will assist in the development of the Canadian north-west. It is thought that this arrangement will make for continued collaboration with the United States.

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[W 735/102/68]

No. 14

*Mr. Holmes to Viscount Addison.—(Received in Dominions Office
5th January, 1946.)*

(No. 615.)

My Lord,

Ottawa, 31st December, 1945.

I HAVE the honour to report that the debate on the estimates of the Department of External Affairs took place on the evening of the 17th December, the day before the session adjourned.

2. The debate was brief and, instead of presenting a prepared statement, Mr. MacKenzie King left the explanation of the Government's foreign policy to be brought out in his answers to questions raised in the debate. He told the House that the Government of Canada was whole-heartedly in favour of the suggestion, made by the United States Government, that once the United Nations Organisation was established, steps should be taken to arrange an international conference on trade and employment, if possible in the summer of 1946. Mr. King stated that no consideration had yet been given to the composition of the Canadian delegation, but that the Canadian Government had accepted the invitation to attend a preliminary meeting in the spring to prepare the way for the reduction of tariffs and other trade barriers. It was of the greatest importance to Canada that world trade should be restored on "the fullest and freest basis possible."

3. In answer to other questions, the Prime Minister said that during the war Canada had at times been forced into the embarrassing position of being brought face to face with decisions taken on matters about which she had not been previously consulted. He had decided on those occasions that, as Canada was at war, it was better to allow the incidents to pass without too much in the way of public protest. On every occasion, however, Canada had placed her position strongly on record and there was never any doubt about her feelings on the matter. In peace-time, Mr. King continued, this situation must be faced and one of the reasons for his recent visit to the United Kingdom had been to discuss this point with the Prime Minister and the Secretary of State for Foreign Affairs. He was careful to add that he believed that the members of the Government of the United Kingdom "have had and have every desire to see that Canada secures her full representation, but to some extent the matter has been beyond their control." He felt that Canada had the right to be one of the principals in any matters arising from the war and relating to the peace and should therefore, with the other Powers who had contributed to the war effort, have full recognition and a share in international discussions on the matters that were to affect the future of the world.

4. Mr. King spoke at some length on the purpose of the External Affairs Committee which had been set up this year. He agreed with a suggestion made in the debate that the External Affairs estimates should be referred to this committee. The committee was formerly known as the Committee on Industrial and International Relations, but its designation had been changed somewhat with its name. The Prime Minister felt that it was giving a rather broad interpretation to the powers of a House Committee to suggest that it might "be empowered to consider matters connected with external affairs and report from time to time any suggestions or recommendations to the House of Commons." It was rather the rule of the House that when matters were referred to a committee they should be referred to it specifically.

5. The question of Canada's participation in Pacific affairs was raised and, in reply, Mr. King summarised the situation briefly as follows: Canada had been invited in October to take part in the work of the Far Eastern Advisory Commission, had accepted the invitation and had named the Canadian Ambassador in Washington, Mr. Pearson, as the Canadian representative. Several meetings of the commission had taken place and, although the Soviet Union had not yet participated in these meetings it was hoped that, as a result of current discussions, she would send a representative to take part in future talks. The commission afforded the Canadian Government an opportunity to express their views on matters which concern them and to share in the formation of policies that will be applied to Japan. At the forthcoming meeting of the commission in Japan, Canada would be represented by Mr. Norman, of the External Affairs Department, who served in the Canadian Legation in Japan before the war. He would deputise for Mr. Pearson, who cannot be absent from Washington for the length of time required. Colonel Cosgrove would attend as economic consultant to the Canadian representative. Mr. King added that the Canadian Government had decided that it was not yet advisable for Canada to become a

member of the Regional Council in the Pacific. He felt that nothing was to be gained or lost if Canada waited awhile before taking this important step.

6. Mr. King also spoke of Canada's continued interest in China and of the problems which now faced that country. He gave an assurance of continued aid from Canada and looked to the day when China would take her place as a bulwark among the peace-loving and democratic nations of the world.

7. The problem of the treatment of Japanese nationals in Canada was introduced by a C.C.F. member, Mr. MacInnis. The chairman questioned the correctness of this interjection, but the Prime Minister asked that latitude be allowed because of the shortness of the time allotted for the debate. The C.C.F. member then spoke at some length on the alleged failure of the Government in dealing with the Japanese problem. In reply to Mr. MacInnis's questions, Mr. King tabled three Orders in Council, passed under the War Measures Act, with respect to the Japanese in Canada. This matter will be covered more fully in a despatch on the Canadian Japanese.

8. Mr. Macdonnell (Progressive Conservative) questioned the Prime Minister about the basis on which the number and character of representatives in different foreign countries were determined. Mr. Mackenzie King gave an assurance that it was the Government's aim to be represented in all important countries, but that this would take time and that these matters had to be dealt with as circumstances permitted. Canada wished to appoint a High Commissioner to India, for example, but it seemed wiser to wait until the most suitable person was available. Some countries had more representatives than others because the special conditions which existed at the time made it necessary.

9. Towards the conclusion of the debate one of the members made an impassioned speech against the Zionist movement. The Prime Minister made no reference to the Canadian Government's attitude, but pointed out that the United Kingdom and United States Governments has appointed a committee of enquiry to examine the whole Palestine question and that their report would soon be available.

10. I am sending copies of this despatch to the United Kingdom Ambassador at Washington and to the United Kingdom representatives at other Dominion posts.

I have, &c.

STEPHEN L. HOLMES.

[W 5336/102/68]

No. 15

Mr. Holmes to Viscount Addison.—(Received 27th April.)

(No. 172.)

My Lord,

Ottawa, 13th April, 1946.

I HAVE the honour to report that the announcement that Mr. Attlee had invited the Dominion Prime Ministers to discussions in London has not aroused any noticeably keen public interest coming as it did at a time when Canadian opinion was preoccupied with developments in the enquiry on disclosure of information to unauthorised persons. It was accorded an almost unanimously friendly welcome in the press.

2. The *Toronto Globe and Mail* welcomed the proposed conference as a further and consolidating step in the continuous high-level Commonwealth consultation for which the ground work was laid at the 1944 meeting, although the idea of a permanent Commonwealth Secretariat was then set aside. The *Ottawa Journal* said that it was right and proper that the member nations of the Commonwealth should talk over the Commonwealth's position in relation to the peace treaties and pointed out that it would be merely a family gathering, a union of peoples with common ideals and hopes for the prospering of justice for all. The *Ottawa Citizen* assumed that the Prime Ministers would discuss a unified defence system for all the Dominions and argued that, in certain contingencies, the defence of the Commonwealth might have to be based on Canada or South Africa. The *Montreal Daily Star* asserted that there were large areas of international relationships in which the Dominions and the mother country have policies in common and, as members of one family, there was no reason why they should not from time to time hold family council and denied that there was any validity in the objection that the Commonwealth was planning a united front.

3. It has indeed frequently been pointed out, and is beginning to be realised, that the meetings represent no "ganging-up" on international affairs, that the Dominions have separate national entities and separate voices in the peace discussions. Indeed, Canadians now appear to accept meetings such as these among the leaders of the members of the Commonwealth as part of the normal machinery of Commonwealth consultation, in themselves calling for no particular comment and not open to any objection on general grounds of international policy. This attitude marks some healthy progress since the controversy over Commonwealth relations precipitated by Lord Halifax's speech in Toronto in 1944.

4. But if the principle of the holding of these discussions passes unquestioned, there is some conflict of view as to the extent to which Canada will be ready to commit herself to co-operative action with the rest of the Commonwealth on any matters which may be raised. The part Canada will be prepared to play in the post-war settlement is still problematical. Without attempting to forecast it, I would draw attention to some of the circumstances and considerations which are influencing public opinion on these matters at present and which may make themselves felt during the Prime Minister's visit to Europe.

5. Even before Mr. Attlee's statement in the House of Commons on the 4th March that the Prime Ministers would discuss Commonwealth defence while they were in London, the Canadian press, noting the reference to the desirability for Commonwealth consultation in defence matters in the recent United Kingdom White Paper on Defence (Cmd. 6743), had assumed that this would be one of the subjects on the agenda for the Commonwealth discussions in April. It was pointed out that since the last formal meeting of Prime Ministers to review Commonwealth defence in June 1937 the war, the atomic bomb and the creation of the United Nations, with the prospect of some international security force, had completely changed the previous situation. Whilst welcoming the idea of Commonwealth consultation on defence in these new circumstances, the Canadian press has not failed to observe that the question of regional defence must undoubtedly arise and that Canada comes within the North American security region. It is understandable and indeed inevitable that, in considering her part in Commonwealth defence, Canada should take into account the requirements of defence co-ordination with the United States, which is so necessary, perhaps vital, to her under modern conditions of warfare.

6. Canada's action in declining any participation in the occupation of Japan, her obvious consciousness of her dependence on the United States and the withdrawal of the Canadian occupation force from Europe, might give the impression that Canada was turning her back on the world outside and on her responsibility for the post-war settlement generally. But Canadian opinion is unanimously in favour of the principle of international collaboration and is, academically at least, strong in support of making the United Nations an effective organisation. Indeed, there has been growing criticism of any action or inaction which might suggest that Canada may not be living up to her international responsibilities and playing a full part in world affairs commensurate with the status which she has claimed for herself as a world Power.

7. The hysteria of "bring the boys home" which swept the United States was not without influence here, too, and its effects were more far reaching. Large numbers of Canadians had been overseas and for much longer than the United States troops, and in the absence of conscription their places could not be filled by compulsory drafting. Nevertheless, the decision to withdraw the occupation force from Europe drew forth strong protests throughout the country with the exception of Quebec, and this opposition was not confined to Progressive-Conservative circles. The Government are not likely to disregard the opinions of their supporters in Quebec, but they cannot, on the other hand, ignore the accusations from the rest of the Dominion that Canada is shirking her international responsibilities and betraying the cause for which her sons have died.

8. Rather similar diversity has marked Canada's thinking in relation to day-to-day international politics. Events in Europe, and especially the actions of Soviet Russia during the past few months, have been viewed in Canada with increasing disillusionment and alarm. This alone might not have been sufficient to counteract a natural post-war reaction against international commitments. There was, indeed, amongst certain sections of the community, a tendency towards just such a reaction, but the sensational revelations of the Royal Commission investigating the disclosure of secret information to unauthorised persons in Canada, the identification of those persons with members of the Soviet Embassy by the Soviet Government itself and other developments in the field of foreign

affairs have acted as a severe curb on any such tendency. It is too early yet to forecast the ultimate effect that these developments may have on the attitude of Canadians generally to international politics. They have, however, undoubtedly come as a severe shock to the public and has brought home to them, as nothing before has ever done, that physical remoteness is no longer any guarantee of immunity from those international troubles which Canadians have hitherto tended to regard as confined to Europe and Asia, and as no concern of theirs unless, for moral reasons, and usually as a result of their association with Britain, they chose to take some part in them. Whatever the Royal Commission and the trials of those concerned may yet disclose, Canadians of every shade of political opinion have together faced the fact that Canada has now attained an international stature which thrusts upon her responsibilities which she cannot at will shift to the shoulders of others. For the first time in her history a drama of international politics has reached Canadian soil and, against the sombre background of mistrust and misunderstanding which seems to Canadians to pervade the international scene, it has brought home to them sharply the practical realities of their recently attained position as a world Power and a world Power not very remote from Soviet Russia.

9. I would not suggest that the trends of opinion outlined above are yet in any way crystallised; far less that they will result in any sudden change in the Canadian Government's rather ill-defined Commonwealth policy. On the one hand there have, since the cessation of hostilities, been a number of signs that the present Government was reacting, perhaps not unnaturally, away from the unquestioning and extremely practical co-operation with the Commonwealth and the United Kingdom in particular through the war years. There have been indications reminiscent of the "no commitments" attitude in the period between the two wars, of a tendency to look to the United States more than to the Commonwealth and of what has vaguely been termed "a return to isolationism." But, on the other hand, there have been a number of advocates favouring still closer co-operation with the Commonwealth in these days. Chief among these are naturally the speakers of the Progressive-Conservative party. In his main speech in the debate on the address in reply to the Speech from the Throne, Mr. Bracken urged that Canada should adopt a foreign policy which would help to preserve and strengthen the British Commonwealth. I enclose the full text⁽¹⁾ of his remarks on this subject. Mr. Drew, the Premier of Ontario, has taken up the same theme. Mr. Diefenbaker, a Progressive-Conservative member of the Federal Parliament, has even urged that steps should be taken to establish a British Empire defence plan, though at the same time to continue the full co-operation with the United States instituted in war-time. These sentiments have so far found little echo in Liberal party quarters: but what is significant is that, if they have found little echo, so far at least they have aroused no controversy either. Indeed, the *Montreal Daily Star*, a strong supporter of the Government, in commenting on Mr. Bracken's speech, says that his words must be carefully weighed and that there has been no suggestion that Canada's leaders contemplate any action which would weaken the Commonwealth. On the assumption that Mr. Bracken's remarks were intended as a criticism of the Prime Minister, the article concludes that Mr. King will do nothing to lessen Canada's ties with the Commonwealth, but that he will work, as he has always worked, to extend similar ties in other directions as well.

10. Such is the background against which the Prime Minister and his advisers are likely to set out for Europe. There are many strands in the complex screen through which Canadians look out on present world affairs; but it is possible that some of the trends mentioned above will incline the Canadian representatives, when considering matters relating to Commonwealth co-operation and the post-war settlement, to adopt a more friendly, co-operative and understanding attitude than quite recently seemed likely.

11. It is always dangerous to generalise about Canada, a country of mixed racial origins and wide open spaces in more senses than one, with the constantly varying centrifugal and centripetal tendencies natural to still imperfect consolidation. But one can perhaps say this, that she is showing increasing signs of maturity in the fading of mere self-satisfaction at her own material achievements. The greater her self-criticism the better and, could her people generally be convinced that we really do look to her for that soundness of judgment of which at best she is capable, in her detachment from the worst of the day-to-day problems of the international scene, we shall not look in vain. But there is a sensible and selfish canniness in her attitude for which she can hardly be blamed.

⁽¹⁾ Not printed.

We must persuade her that it is really to her interest in the long, as often in the shorter, run to co-operate. Occasionally, and against her better judgment, she professed to believe that co-operation with us and others in defence or in other aspects of the responsibilities of nationhood is sought as a matter of form, that her contribution would be but a drop in the bucket. But fundamentally it is still a reluctance to commit herself in the international field which militates against full co-operation. She must be brought to realise that this habit of mind is not the characteristic of maturity or adult stature. She cannot, in other words, have it both ways.

12. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador, Washington, and to the United Kingdom representatives in the other Dominions.

I have, &c.

STEPHEN L. HOLMES.

[W 5753/102/68]

No. 16

Mr. Holmes to Viscount Addison.—(Received 15th May.)

(No. 215.)

My Lord,

Ottawa, 11th May, 1946.

WITH reference to my despatch No. 609, of the 22nd December, I have the honour to submit a further report on the progress, or lack of progress, in the discussions on Dominion-Provincial relations.

2. The essential problem (as described in more detail in Mr. MacDonald's despatch No. 418, of the 5th September), is to streamline the administration of Canada to enable the Dominion to play its part in the modern economic world without undue confusion of authority or overlapping in function between the ten Canadian Governments. The proposals of the Federal Government (which were set out in detail in paragraph 7 of Mr. MacDonald's despatch) aimed at achieving this object without any tinkering with the constitution or any direct attack on the rights of the provinces. In return for accepting responsibility for the increased costs arising out of the war situation, expanded schemes of social welfare, an endeavour to ensure full employment and efforts to restore Canadian export trade, the Federal Government proposed to the Provincial Governments the continuance of the war-time arrangements, under which the provinces had yielded to the Dominion exclusive rights in the taxation fields of income tax, succession duties, and corporation taxes, undertaking to reimburse the Provincial Governments by annual payments on a *per capita* basis. But though the argument has tended to concentrate on the financial aspect, it is really a problem of administrative machinery and constitutional arrangement (and it cannot be denied that the long-term effect of the Federal proposals would tend towards greater centralisation and the diminution of Provincial autonomy). In a word, the problem was to transform Canada into a modern State no longer bound by provisions devised in 1867 but able more effectively to play her part both at home and abroad.

3. The first in this series of meetings between Federal Ministers and Provincial Premiers was held in August 1945, when the Federal proposals were presented. In many respects these seemed to be generous, but it must be remembered that the Dominion holds the whip-hand. Anxious to avoid a repetition of the fiasco of the 1941 conference, which broke up after three days, no detailed study was given at the time to these proposals, but they appeared to create a generally favourable impression. The conference met again in November 1945 and in January 1946, when some of the provinces, partly perhaps from a desire to bargain for better terms, indicated their inability to accept the Federal proposals. In particular, at the January conference, the Government of Ontario presented a brief outlining their attitude which amounted, in effect, to a rejection of the Federal proposals.

4. The conference met again on the 25th April, and, after three days' discussion, when it was rumoured that the conference came near to a breakdown, Mr. Drew demanded an open session, which began on the 29th April.

5. For the first time, therefore, the proceedings have become public, and the historic scene is being enacted in front of the nation. But the elements chiefly lacking in this great dramatic scene are precisely greatness and drama; no brave stand is being made for a cause; no leader has beckoned the way to the future; the destiny of Canada is forgotten in the arguments over dollars and cents.

6. In the fairly dignified Senate Chamber, the Prime Minister opened the public session by recapitulating the Federal Government proposals. His tone was conciliatory, though firm, but his manner lacked effectiveness and conviction. Although he repeated the Federal Government's offer to increase the *per capita* basis for repayments to the provinces from \$12 to \$15 a head, and undertook that the Federal Government would be willing to withdraw from various minor fields of taxation which they had entered (such as amusement and gasoline taxes), he made it clear that the Federal Government could make no further concessions. His statement is summarised in Appendix A. He was followed by Mr. Drew, the Premier of Ontario, who formed a vivid contrast to the quiet manner of Mr. King. Mr. Drew literally boomed defiance, and, in a blustering and even at times truculent speech, he restated the Ontario Government's case, but left the unmistakable impression that Ontario's conditions for accepting any agreement with Ottawa would be stiff, and that they were prepared to make few concessions to meet the general interest. An example of Mr. Drew's temper is given by his reference to Mr. Claxton, the Minister of Health and Welfare, as "a big bubbling well of mis-information." A Liberal critic, who has suffered from Mr. Bracken's orations, commented at the end of Mr. Drew's verbose and diffuse statement that he had all the qualities to be a Progressive-Conservative leader! Mr. Duplessis, the Premier of Quebec, followed in his wake. The position of Quebec is in principle further removed from Ottawa than that of Ontario, but Mr. Duplessis had hitherto cunningly left the running to Mr. Drew—at least so far as public utterances were concerned. Mr. Duplessis stated Quebec's readiness to "rent" certain taxation rights temporarily to the Dominion, but insisted on the exclusive right of the province to levy succession duties, and said that acceptance of the Federal proposals would mean the end of confederation. "Why in Canada," he cried, "imitate Hitler and Mussolini and establish centralisation here?" Mr. MacDonald, Premier of Nova Scotia (the former Federal Navy Minister), advanced the inflated claims of that province and equally made it clear that the Federal proposals did not meet her needs. On the other hand, in what has been regarded as the ablest speech of the meeting, Mr. Garson, the Premier of Manitoba, supported the Federal proposals, making it clear that Manitoba was prepared to accept them without amendment in the general interest. (It is, of course, fair to add that the Prairies stand most to gain by an agreement.) Mr. Manning, the Social Credit Premier of Alberta, who has shown that he can be a practical administrator and common-sense negotiator, also indicated readiness to make an agreement with the Federal Government. Mr. Hart, the Premier of British Columbia, who stood half way between the two sides, while dissociating himself from the extreme attitude of Ontario, made it clear that he was not prepared to sacrifice what he regarded as the rights of British Columbia. The attitude of the several Provincial Governments at this stage of the conference is set out briefly in Appendix B.

7. After all the Provincial Premiers had spoken, the Minister of Finance, Mr. Ilsley, replied on the 1st May, opening in a thin and tired voice. He recapitulated the concessions which the Federal Government had made and stressed the magnitude of the obligations devolving upon them. Turning to an examination of the Ontario Government brief, he warmed to his subject and, with more vigour, ridiculed the proposals made by Mr. Drew and affirmed categorically that the Federal Government were not prepared to yield exclusive right to collect personal and corporation taxes and insisted on their right to collect succession duties, though they were willing to share these, for a consideration, with the Provincial Governments.

8. Mr. Ilsley's unbending attitude evoked a chorus of protest. Mr. Drew, terming it a "truly amazing presentation," said "the veil is off. The Finance Minister has given us the bald declaration that we must take it or leave it." Mr. Duplessis threatened to leave the meeting if revised proposals from the Federal Government were not forthcoming. Mr. MacDonald, while saying that he could not see why an agreement still could not be reached, made it clear that the proposals in their present form were unacceptable to Nova Scotia. The Premiers of the three provinces which had consistently stood out against the Dominion Government were even joined by the earnest Mr. Manning of Alberta, who said that, if the conference failed, it would be the responsibility of the Dominion because of the uncompromising rigidity of its position.

9. Indeed, it was clear that Mr. Ilsley's impenitent refusal to consider any further concessions in answer to the objections raised by some of the provinces had brought matters to a crisis. The Government took counsel and on the following day, the 2nd May, a more conciliatory statement was made by Mr. St. Laurent, the Federal Minister of Justice. In this he said that the

Federal Government wished to know exactly what were the proposals of those provinces which were not willing to accept the Federal proposals; in particular he wished to know the precise effect in dollars of the formula based on the X which Mr. Drew had used and of the "rental" which Mr. Duplessis had suggested. This brought to his feet Mr. Duplessis who, in his voluble if not very fluent English, betraying his French characteristics by gestures as well as pronunciation, sought to turn the tables on Mr. St. Laurent by exclaiming that it was the provinces who wanted to know where they stood and to receive a guarantee that they would not be faced with continual invasion of their rights. Mr. Garson, Mr. Hart and Mr. McNair (Premier of New Brunswick) followed with brief speeches urging that agreement must be reached. Mr. Garson has always supported the Federal proposals in principle, but Mr. Hart, who had hitherto taken a middle-of-the-road position, sharply differentiated himself from Mr. Drew and Mr. Duplessis and formally stated the readiness of British Columbia to make an agreement. Mr. McNair made an eloquent appeal for agreement in the interests of Canada as a nation, asserting that he represented the people of New Brunswick not as New Brunswickers, but as Canadians.

10. On the following day Mr. Drew modified his attitude and indicated that the Ontario Government would be prepared to accept an agreement and suggested as a basis that the *per capita* payments to the provinces should be reduced to the original figure of \$12.00 a head on the understanding that the provinces would retain, and the Federal Government completely give up, certain fields of taxation. Mr. King replied that this was unacceptable to the Federal Government since they could not agree to the conditions attached and the basis suggested would result for them in a greatly increased gap between revenue and expenditure.

11. So the argument proceeded, and it gradually became clear that no general agreement was in sight. On the 3rd May, Mr. Duplessis left the conference after the morning session, saying that he would be willing to return when the Federal Government came to their senses. Mr. Drew, rejecting the present Federal proposals, concluded by asking the Dominion Government to decide how long it would take to revise their position in the light of the clearly-stated position of the provinces, and then invited them to summon a conference again to consider a transitional tax agreement. Some of the Prairie Premiers, and in particular Mr. Garson, pleaded for separate agreements between the Federal Government and certain of the provinces, even if all of them did not come in; but Mr. King made it clear that this would not be practicable. Mr. MacDonald suggested that the conference should be adjourned until July, but at the end it was adjourned *sine die* and, when Mr. MacDonald asked whether another effort to agree was likely, the Prime Minister was silent.

12. The position revealed in the open conference is that both Ontario and Quebec definitely do not accept the Federal proposals; their representatives were the only two who appeared not to be willing to accept an agreement in principle on those lines; though Mr. Drew offered to consider an agreement on certain fairly strict conditions. British Columbia and Nova Scotia have at times quarrelled with many of the conditions of the Federal Government and are anxious to preserve their full provincial autonomy, but the Premiers of both these provinces gave clear evidence of their desire to reach an agreement. Manitoba is the only province which has definitely committed itself to accepting the Federal proposals as they stand, but it seemed likely that Saskatchewan, Alberta, New Brunswick and Prince Edward Island could probably be brought in with minor adjustments to suit them. The attitude of the provinces at the conclusion of the meeting is summarised in Appendix C.

13. It remains to be seen what the next step will be. But it seems probable that, as was the case in 1941, agreement will have been wrecked by a minority of the provinces standing out (but those the major and more wealthy ones); the difference being that the rôle then played by Mr. Hepburn of Ontario, Mr. Duplessis of Quebec and Mr. Pattullo of British Columbia has, on this occasion, been played by the two actors, Mr. Drew and Mr. Duplessis.

14. There will no doubt be very great disappointment that, in spite of all the careful preparation and the obvious need for adjustment, this conference appears to have accomplished nothing. There will no doubt be an attempt to pin the blame on one side or the other. To some extent, this may be expected to follow party lines, the Conservatives in the main being more inclined to support the stand of Mr. Drew and Mr. Duplessis, the Liberal and C.C.F. parties being more inclined to support the Federal attitude. In this connexion it may be noted that Mr. Coldwell, the C.C.F. leader in the Federal Parliament, has branded the refusal of Mr. Drew and Mr. Duplessis to accept the Dominion

proposals as "a current example of national disunity and sectional selfishness." saying that the two Premiers insisted on guarding the rights of Ontario and Quebec as large industrial provinces at the expense of the rest of Canada.

15. On his return to Quebec Mr. Duplessis enjoyed a triumphal and vociferous welcome and announced to the applause of the crowd that he had refused to sell the provincial rights for money. Mr. Drew was equally impenitent on his return to Toronto. With some exceptions the press of Quebec and Ontario have, in the main, supported the stand taken by their Premiers. Elsewhere throughout Canada, however, dismay has been expressed at the failure. The *Halifax Chronicle* says: "There was no victor, only a loser—and that loser was Canada." The *Regina Leader Post* makes the charge that "Canadian statesmanship was tried and found sadly lacking." The *Winnipeg Free Press* commented: "Let us have no illusions about the price of this failure. It will be very great." But the press varies in apportioning the blame; outside Quebec and Ontario the stand of Mr. Drew and Mr. Duplessis is bitterly attacked but the unyielding attitude of the Federal Government is also felt to have contributed to the failure. The search for those to blame will no doubt continue but with little profit since there are rights and wrongs on both sides. To many it will seem that the oft-quoted words of Sir Wilfrid Laurier cut both ways:—

"It is a sound principle of finance, and a still sounder principle of government, that those who have the duty of expending the revenue of a country should also be saddled with the responsibility of levying and raising it."

16. I am sending a copy of this despatch to His Majesty's United Kingdom Ambassador at Washington and to the United Kingdom representatives in the other Dominions.

I have, &c.

STEPHEN L. HOLMES.

Appendix A to No. 16.

Summary of Federal Government Proposals submitted by Prime Minister to the Conference on 29th April, 1946.

THE Dominion would pay the provinces a guaranteed minimum of \$15 *per capita*—the Dominion's original offer was \$12—with the added provision that in no case would the Dominion's payments be less than 150 per cent. of the province's receipts under the war-time tax agreement.

2. The provinces would agree not to levy income, corporation or succession duty taxation, nor to allow municipalities to collect such taxes.

3. Should a province wish to collect succession duties, the amount collected would be credited to the taxpayer against the Federal levy. Total Federal payments to the province would be reduced by the amount of such credits.

4. Statutory Dominion subsidies would continue, but would be included in annual payments to the provinces.

5. Provinces might tax mining and logging operations, and levies would be recognised as a deductible expense for income tax purposes.

6. A constitutional amendment would be sought giving power to the Dominion and provinces to delegate taxation power to each other. The Dominion would then introduce legislation enabling the provinces to levy retail sales taxes within specified limits.

7. The Dominion would undertake to stay out of the fields of real estate and automobile licence taxation.

8. The Dominion would undertake not to increase its taxes on gasoline, amusements or *pari mutuel* betting except in a national emergency.

9. The Dominion would share equally with the provinces revenue from corporation income taxes on such utilities as electric power, gas and steam, but any taxes levied by the provinces on such companies would be offset.

10. On acceptance of the proposals the Dominion proposed reducing personal income tax, reducing the double taxation of corporation earnings, and levying a special tax to meet the Dominion's share of social services.

Appendix B to No. 16.

Summary of Position of Provinces as regards Taxation Proposals.

Ontario.—Will "rent" corporation and income taxes in return for subsidy, but wants restored succession duties, gasoline and amusement and race track and electricity taxes, and foreign exchange to meet United States obligations at par.

Quebec.—Will "rent" corporation and income tax in return for subsidy, wants to retain succession duties, but makes no mention of restoration of electricity, gasoline, amusements and betting taxes.

Nova Scotia.—Will concede income and corporation taxes and succession duties in return for a \$15 subsidy (*per capita*), recognition of fiscal need principle in fixing subsidies, and certain grants for health and other social services. Wants to have restored to it gasoline, amusement, betting and electricity taxes.

New Brunswick.—Will concede income and corporation taxes and succession duties, also concede retention by Dominion of gasoline, amusement, electricity and betting taxes in return for \$15 subsidy. Wants recognition of fiscal need principle, and suggests that this be done by splitting the subsidy as it rises above \$15 according to needs of seven provinces, recommended for such subsidies by the Sirois Report.

Prince Edward Island.—Will refer proposed Dominion pact to island Government for decision. Wants a subsidy of \$3 million instead of the proposed \$2 million a year.

Manitoba.—Accepts Dominion plan as it stands.

Saskatchewan.—Accepts Dominion plan, but wants recognition of fiscal needs principle in adjusting subsidies.

Alberta.—Will concede income and corporation tax and succession duties, but wants gasoline tax restored. Not so insistent about return of other direct taxes, and wants provinces left free to determine priority in allocation of funds from Dominion for social services.

British Columbia.—Will concede income and corporation taxes and also succession duties "if there is general unanimity." Wants assurance it will receive as much under Federal plan as it would have received under its own tax arrangements, and gets it in an \$18 subsidy.

Appendix C to No. 16.

Summary of Position of Provinces at Conclusion of the Conference.

Dominion.—Stands by revised financial proposals made to the conference on the 29th April and is not prepared to enter into agreements which would cost the Dominion more than is provided in that plan.

Ontario.—Rejects the Dominion plan but advances an alternative scheme with a different formula for computing the Dominion's payments to the provinces and some other changes.

Prince Edward Island.—Wants an agreement which would provide more money than the Dominion offers.

New Brunswick.—Prepared to accept the Dominion plan with some modifications.

Nova Scotia.—Favoured reconsideration by the Dominion of some phases of its proposals.

Quebec.—Rejects the Dominion plan but is prepared to listen to new proposals.

Manitoba, Alberta and Saskatchewan.—Prepared to accept the Dominion plan with some modifications.

British Columbia.—Prepared to accept the Dominion plan if certain financial requirements met.

[W 6827/102/68]

No. 17

Mr. Holmes to Sir J. Stephenson.—(Received in Dominions Office 21st June.)

(Confidential.)

My dear Stephenson,

Ottawa, 17th June, 1946.

AS you will be aware, we have made a practice of trying to arrange for a member of this Office to attend the Annual Study Conferences of the Canadian Institute of International Affairs.

2. This year's annual conference was held last month at Toronto and we arranged for Miss Emery to attend. I think you will be interested to see the enclosed notes which she has written. I would draw your attention, in particular, to the view which was apparently widely represented that the two Great Powers in the world to-day are the United States and the U.S.S.R. and that the United Kingdom can only be looked upon as a second-rate Power. This view was also expressed at last year's conference.

3. It is unfortunately the case that a large number of Canadians are apt to take this view and are reluctant to consider the influence which the various members of the Commonwealth, acting together, may be able to exert. On the other hand, I do not think that exaggerated importance should be attached to it. In spite of the superficially impressive presence of a number of people prominent in various walks of life, the institute suffers from the sort of vague internationalism which seems common to these bodies, and I think it would be unwise to regard the views expressed there as necessarily representative of Canadian opinion as a whole.

Yours ever,

STEPHEN L. HOLMES.

Enclosure in No. 17

I ATTENDED the Thirteenth Annual Study Conference of the Canadian Institute of International Affairs, which was held in Hart House at the University of Toronto on the 25th and 26th May, 1946. The list of the members of the conference was composed of 163 men and 16 women, but the actual attendance was rather less than that. Canadian academic life was strongly represented by approximately thirty-three professors, many of them from the west. There were also a number of Members of Parliament, a large contingent of civil servants from Ottawa (including twelve members of the Department of External Affairs), barristers, business men, economists and journalists from all parts of Canada and, despite the United States railway strike of that week-end, a number of people from the United States, including members of the State Department and a delegation from the Cleveland Council on World Affairs led by Dr. Brooks Emeny. There were very few French-speaking Canadians.

The conference was divided into six "Round Tables," each discussing an overcrowded agenda on either "World Order" or "British Commonwealth-United States Relations." Discussion was at times rather pedestrian and varied noticeably in ease and fruitfulness according to the enthusiasm of the chairman and his ability to "draw" his circle. It was quite easy, however, to get a fairly clear impression of the outlook of Canadians, other than those one meets normally in the daily round in Ottawa, and, between the formal discussions meetings, there were valuable opportunities of getting to know people.

I attended sessions of "Round Tables" on both of the main topics of the conference and found that, as was perhaps to be expected, discussion tended to cover the same ground in each and that it was conducted in an atmosphere of almost unmitigated gloom and pessimism. Members found it very difficult to rise above the present disagreements in international affairs to confidence in the ultimate success of U.N.O. This state of affairs was not improved by much conjecture about the future of atomic energy, a subject which figured largely on the "World Order" agenda, and a lecture on the atom bomb delivered on the Saturday evening by Professor Joseph Platt, an experimental physicist from the University of Rochester.

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There were two assumptions underlying most of the discussion which seemed to be generally accepted and were rarely challenged:—

- (1) That Russia does not intend to co-operate genuinely in the United Nations Organisation, that we must, so far as the foreseeable future is concerned, accept "the iron curtain" and content ourselves with setting our side of it in order and with organising three-quarters of the world for peace. A few thought that Russia might be won over and her confidence gained by such proof of our sincerity, but the general feeling was that we must resign ourselves to a continuance of power politics with U.N.O. very much as a second line of defence and the Great Powers relying on their own resources.
- (2) That there are to be, henceforth, two Great Powers—the United States and the U.S.S.R.—and that the United Kingdom can only be rated as a second-rate Power. It was surprising how Canadians tended to disregard historic and political factors in this connexion and, apparently, sometimes, to forget the existence of the rest of the Commonwealth.

United Nations Organisation.

A regretful discussion took place on the fact that U.N.O. and, in particular, the Security and Social and Economic Councils had been originated on the assumption that the Powers would co-operate in good faith and that their purpose would not be to keep peace among the Great Powers, a task for which they were constitutionally ill-equipped.

This gave rise to a discussion of the veto, agreement that it should be abolished and acceptance of the fact that Russia (and possibly the United States) would not agree to such abolition. Professor H. F. Angus's (University of British Columbia) proposals for two possible alternative solutions to this problem made a considerable impression on those present:—

- (a) That members of the Security Council should make unilateral declarations that they would not use the veto;
- (b) that its use should be made a more positive and difficult act.

Trusteeship.

There was general acquiescence in a suggestion that the Trusteeship arrangements should logically include problems of minorities and of majorities excluded from political rights (*e.g.*, in South Africa). Those present seemed reluctant to admit any definite responsibility for Canada in these matters. The question was raised—and left unanswered—as to what Canada's position would be in the event of a serious rupture in relations between India and South Africa on the Natal Indian problem and one criticism made of the present Trustee arrangements, as compared with the Mandates system, was that the new international body, unlike the Mandates Commission, would be composed not of experts but of representatives of Governments some of whom, like that of Canada, had no experience of the problems at stake.

(It may be of interest to record here that during the discussions on Trusteeship the chairman of the group at which I was present, Mr. C. J. Burchell, formerly Canadian High Commissioner in South Africa, made his only contribution to the day's discussion in the shape of a defence of the Union's native policy and an attack on the Dominions Office "remote control" administration of Swaziland.)

Atomic Energy.

It was in discussing control of atomic research and the problems of defence to which the atom bomb gives rise, in so far as they can be separated from the general problems of world organisation, that the conference showed most consciousness of Canada's moral responsibility and the need for her active co-operation in international affairs. Other problems tended to be set aside as matters for the Great Powers in which Canada would have little influence, but the fact that Canada has not only the raw materials but also refineries and factories devoted to atomic research seemed to bring home the reality and urgency of this problem, and there was a strong feeling of national interest and responsibility both in practical problems of defence (discussion of which was necessarily conjectural) and in the question of international control. (The general view on this seemed to favour the Lilienthal plan.)

British Commonwealth—United States Relations.

The discussion at which I was present on this subject was devoted to its political and military aspects and its course was very much influenced by the theory mentioned above that the United Kingdom has lost her place as a first-rate power and, as a result, Canada, at any rate, must inevitably look less to the United Kingdom and more to the United States. There seemed to be a feeling, however, that the intimate relationship and common sense of destiny between Commonwealth countries need not be weakened and might even be strengthened in circumstances in which the Dominions looked to the United Kingdom as an equal, even in power, and that this fraternal association could play an effective "middle Power" rôle in world affairs.

There was, moreover, evident uneasiness at the thought of exchanging United Kingdom for United States leadership owing to the vacillation so often manifest in the latter's foreign policy and universal anxiety that Canada should not become "a 49th State" either politically or militarily. It was frequently pointed out that Canada was of necessity a part of the United States "power mass," but there was at the same time almost fierce emphasis placed on Canada's sovereign independence of the United States, it being remarked that the hesitancy to involve Canadian troops in post-war commitments under the leadership of other members of the Commonwealth, which led to Canadian representation in the Commonwealth force in the Far East consisting of seven Japanese Canadians, arose from the same motives which caused Canada in her military co-operation with the United States to insist on—

- (a) there being no bases exclusive to the United States on Canadian Soil;
- (b) Canada paying the United States for the latter's military works in the North;
- (c) Canada sending only a few parachutists for training in the United States and arranging for these to train others in Canada.

[W 7179/102/68]

No. 18

Sir P. Clutterbuck to Viscount Addison.—(Received in Dominions Office, 3rd July.)

(No. 285)

My Lord,

Ottawa, 28th June, 1946.

I HAVE the honour to state that a resolution which was introduced in the Canadian House of Commons on the 28th May by the Minister of Justice regarding an amendment to the British North America Act to readjust representation in the House was adopted by a majority of 107 to 22 on the 20th June. The resolution provides for a joint address from the Senate and House of Commons praying His Majesty to cause a Bill to be laid before the United Kingdom Parliament for the enactment of certain provisions to be known as the British North America Act, 1946.

2. The B.N.A. Act at present provides that the Province of Quebec shall have the fixed number of sixty-five members in the House of Commons and that the other provinces shall have such a number of members as will bear the same proportion to the number of its population as the number sixty-five bears to the population of Quebec. The Act further provides for readjustment of representation on the completion of each decennial census. (It will be recalled that no such readjustment took place after the last census in 1941 in view of the state of war then prevailing and the consequential changes in population. Provision for this postponement was contained in the B.N.A. Act, 1943, of the United Kingdom Parliament.)

3. There has been frequent criticism in the Province of Quebec that in view of the increase in her population the continuance of the present system is doing her an injustice. On the other hand exercise of the provisions of the 1867 Act would result in a net decrease in the total number of Members of Parliament and, in the case of some provinces, a decline in numbers owing to the relative drop in the rate of increase in those provinces as compared with the increase in the Province of Quebec.

4. The proposals embodied in the resolution accordingly call for a radical amendment of the provisions of the 1867 Act and envisage establishing the distribution of seats on a new basis whereby the total population of Canada will be used to determine the representation in the House of Commons. Briefly, the proposal is to fix the membership of the House of Commons at 255 (instead

of 245 as at present) on the understanding that one seat would always go to the Yukon territory. It is then proposed that the population of the Dominion, less the North-West Territories and the Yukon, should be divided by 254 to obtain a quotient and that that quotient should serve as a divisor of the population of each province separately. The effect of the proposed change is shown in the accompanying table:—

	<i>Present House.</i>	<i>New System.</i>
Prince Edward Island	4	4
Nova Scotia	12	13
New Brunswick	10	10
Quebec	65	73
Ontario	82	83
Manitoba	17	16
Saskatchewan	21	20
Alberta	17	17
British Columbia	16	18
Yukon	1	1
	<hr/> 245	<hr/> 255

It will be seen that the new plan would increase Quebec representation by eight, British Columbia by two and Nova Scotia and Ontario by one. On the other hand Manitoba and Saskatchewan would lose one seat each.

5. Quebec is thus much the greater gainer, for the time being, under these proposals. But the Provincial Government have shown opposition to them on grounds of principle as to the competence of the Federal Government in such a matter. Mr. Duplessis, the Premier of Quebec, protested in a letter to the Minister of Justice that the Dominion had no right to ask for an amendment to the B.N.A. Act without the approval of the provinces and he has denied that the Federal Parliament has sole jurisdiction in the matter of representation in the House of Commons. In a later statement Mr. Duplessis said that Mr. St. Laurent's sentiments were those of someone wishing "the abolition of provincial legislatures and the assimilation of Canada." He pointed to the danger of having Canada governed by a sole Government at Ottawa which he believed to be "a Government controlled by Radicals, Socialists, Communists and others" and said that Quebec could not consent to "become the accomplice of centralisers nor to acquiesce to the violation of a pact of honour between the two great races of the country."

6. Speaking as the spokesman of the Progressive-Conservative Party, Mr. Diefenbaker argued that the proposals involved a different basis of representation from anything that had previously been contemplated and he produced many legal arguments to show that, in whatever light the B.N.A. Act might be regarded, without exception outstanding leaders since Confederation had agreed that no material alteration might be made without consultation with the provinces. He referred to the resolution as "extraordinary" and said that the Conservative Party would resist changes in the Constitution without consultation with the provinces under which the rights of the provinces or minorities might be affected. In conclusion he referred to the dangerous precedent which would be created and referred to the possibility of extreme action once it became accepted that the B.N.A. Act could be amended merely by a majority in the Federal Parliament. He, therefore, moved an addition to the resolution to provide for prior consultation with the provinces. Speaking on behalf of the C.C.F. Mr. Coldwell, the leader of the party, gave general support to the resolution and criticised Mr. Diefenbaker's arguments. In particular, he denied that there was any real danger of a serious precedent being created and affirmed that, if Canada were to be regarded as a nation, matters which were assigned to Parliament by the Constitution must be in the right of Parliament to deal with. Mr. Solon Low, the leader of the Social Credit Party, said that he found that the provisions of the resolution were not at all unfair or unjust, but that he thought consultation with the provinces was desirable. He would, therefore, vote in favour of the Progressive-Conservative amendment but, if that were defeated, would vote in favour of the resolution.

7. The Minister of Justice refused to accept Mr. Diefenbaker's assumption that consultation with the provinces was necessary before any alteration in the B.N.A. Act could be considered, and asserted that the Federal Government "does not derive its existence and its authority from the provinces and it does not need to go back to the provinces to say what Canada shall be in the future."

8. The Progressive-Conservative amendment was defeated by 108 to 42, but Mr. St. Laurent's attitude towards it has made him object of cynical derision in the French-Canadian press.

9. In the light of Mr. Duplessis's firm stand for provincial rights it is interesting to find that the French-speaking Members were divided in their attitude. Many of the Members from Quebec, who spoke on the resolution, were anxious about the protection of provincial rights, but others maintained that consultation with the provinces was unnecessary and that the present resolution was not setting a dangerous precedent. It was a French-speaking Nationalist from Quebec (Mr. Lacombe) who declared that it was "disgraceful and humiliating" that Canada should have to ask for legislation in the United Kingdom Parliament for an amendment of the Canadian Constitution. Mr. Lacombe was supported in his desire for a new method of amending the Canadian Constitution not only by other Members from Quebec, but also by representatives from other provinces.

9. The resolution has still to be adopted by the Senate before an address can be submitted to The King with a view to the necessary legislation being enacted in Parliament at Westminster. I am not aware with what degree of urgency the Canadian Government view the matter, but it is perhaps worth noting that in reply to a question as to how long it would take to have this amendment made in the B.N.A. Act, asked by the Leader of the Opposition, Mr. St. Laurent replied "... in 1943 it was a matter of about ten days between the time the petition was adopted by the Houses of Parliament here and the time it was assented to as an Act of the Parliament of the United Kingdom."

I have, &c.

P. A. CLUTTERBUCK.

[W 8288/102/68]

No. 19

Sir P. Clutterbuck to Viscount Addison.—(Received in Dominions Office, 22nd July.)

(No. 310.)

My Lord,

Ottawa, 19th July, 1946.

WITH reference to my despatch No. 285 of the 28th June, I have the honour to enclose herewith copies of the reports of the Senate debates⁽¹⁾ on the resolution regarding the redistribution of seats in the Canadian House of Commons which, as reported in my telegram No. 1081 of the 6th July, was adopted by the Senate on the 5th July by a vote of 24 to 7.

2. To some extent the points emphasised in the Senate debates differed from those raised in the House of Commons. In the Senate, the Chamber which has always been regarded as the guardian of provincial rights, it was only natural that consultation with the provinces should be regarded as an important issue. Early in the debate, Senator Bench (Liberal), who spoke for the Government on the introduction of the resolution, pointed out that, if there had been an understanding that the provinces should be consulted on issues of this kind at the time the B.N.A. Act was drafted, it would have been simple for the Fathers of Confederation to insert an appropriate clause to provide for this. He submitted, on the contrary, that it was the intention and the accomplished fact to repose in the Parliament of Canada, subject only to the overriding power of the Imperial Parliament, authority to deal with this subject matter independently of the Provincial Governments as such. In reply to an enquiry as to whether individual provinces might appear before the Parliament at Westminster to present their case against the proposed amendment, Senator Bench said that he would not suggest that any province would be debarred from appearing and objecting to it. He further recalled that when the 1943 Resolution was presented the Quebec Legislature unanimously passed a resolution opposing it, and he "presumed" that this was brought to the attention of the Parliament at Westminster. This impression was corrected by a French-speaking Senator who pointed out that the protest was sent to the Prime Minister of Canada, but was not brought to the attention of Westminster.

3. Senator Asseltine took up the cudgels on behalf of the rights of the provinces. He urged that the Senate had always been considered the guardian of provincial rights and confessed that he had been shocked to hear the statement by the Minister of Justice to the effect that the Parliament of Canada had within

⁽¹⁾ Not printed.

itself the power to make representations to the Imperial Parliament to amend any part of the Constitution other than sections 91 and 92 of the B.N.A. Act without consulting the provinces; and he expressed his alarm at the prospect of the Federal Government asking for the repeal of the section in the B.N.A. Act protecting the French language, which he would consider a "very drastic and entirely illegal" step. He suggested that there had been plenty of opportunity at the Dominion-provincial discussions for this matter to be raised; he thought the resolution involved a very dangerous precedent and urged that the present arrangement be allowed to remain for the life of the present Parliament. Senator Moraud also insisted that the resolution "violated the spirit and letter of the Confederation Pact," and he believed that it was the duty of the Senate to prevent its passage. He argued that it was the duty of the Senate to protect provincial rights and the rights of minorities, and suggested that the provinces in turn might some day protect the Senate, if, for example, the C.C.F. Party should come into power and seek to abolish the Upper House. If by such a time the practice of consultation with the provinces on questions not strictly provincial, but of interest to them, was well established, it would, he thought, be a guarantee for the survival of the Senate. Senators Leger and Marcotte also spoke against the resolution and demanded consultation with the provinces. But Mr. Vien (the former Speaker of the Senate) supported the resolution and said that he could see in it no attempt to curb the prerogatives or privileges of minorities anywhere in Canada. Indeed, he went further and contested the view that amendment of the B.N.A. Act without the unanimous consent of the provinces meant entering upon a very dangerous path. He stoutly affirmed that he was one of those who had full trust in the majority of the people of Canada, and felt perfectly confident that Parliament would never agree to the creation of an injustice under the provisions of the B.N.A. Act or any amendments thereto. In conclusion, Senator Vien urged that it was not consistent with the dignity of Canada as a nation that she should have to ask the Parliament at Westminster to ratify a change in the Canadian Constitution. He emphasised the necessity of devising a method by which the Constitution could be amended without resort to the Parliament at Westminster, but recognised that any such step would require due consideration.

4. A new line of attack was opened up by Senator McGeer (Liberal from B.C.). In the House of Commons the question of the rights of the Western Provinces had received little attention, but Senator McGeer opposed the resolution on the grounds that the change would be unfair to Western Canada. He complained that, while the resolution proposed a total increase of ten in the membership of the House of Commons, there would be no increase at all in representation from Western Canada. Senator McGeer urged that it was unnecessary to hurry the measure through without careful consideration, and argued that, if the B.N.A. Act was to be amended to place representation in the House of Commons on a basis of population, due consideration should likewise be given to Western representation in the Senate "so that no one section or class may unrighteously advance at the expense of the other."

5. The resolution was taken to a vote and, as mentioned above, was passed by a majority of 24 to 7. It may be noted that only three French-speaking Senators voted against the resolution, whereas nine voted in favour.

6. But, although French-speaking members in the House of Commons refrained from voting against the resolution and a majority of French-speaking members in the Senate voted for it, a strong agitation against the change is being whipped up in Quebec. Mr. Duplessis, the Premier of Quebec, no doubt sees in this move a useful stick with which to belabour the Federal Government (with whom he is already at loggerheads on the score of over-centralisation), and an Order in Council has lately been passed by the Quebec Legislature protesting against the resolution. This order declared that the rights of the provinces, and particularly of the Province of Quebec, have been gravely violated by the action of the Federal Government, and declares that the Federal authorities should be informed—

- (1) That the Provincial Government demands full respect for the Federal Pact.
- (2) That the Province of Quebec reaffirms its determination to safeguard its constitutional prerogatives.
- (3) That the province desires that all the provinces, and Quebec in particular, should obtain a just and reasonable Federal representation by a procedure which is in harmony both with the spirit and the letter of the Constitution of Canada.

It may perhaps be by design and to save subsequent embarrassment that this somewhat noisy order stops short of demanding any specific action by the Federal Government and, indeed, does not even ask in terms that the proposed resolution be not proceeded with. I enclose⁽¹⁾ a copy of the Order in Council as it appeared in *Le Devoir*.

I have, &c.

P. A. CLUTTERBUCK.

(¹) Not printed.

[W 7844/102/68]

No. 20

Mr. Garner to Mr. Head.—(Received in Dominions Office, 24th July.)

Dear Head,

Ottawa, 18th July, 1946.

WITH reference to my letter of the 7th June about the Joint Committee of the Senate and the House of Commons appointed to report on a design for a distinctive Canadian flag, you may like to know that the committee have at last been able to settle on a single design and, by a vote of 21 to 1, have recommended the "Red Ensign" with a golden maple leaf replacing the present Coat of Arms on the fly. The final decision was not reached without much discussion and many battles, but the tolerance and patience displayed by the committee members eventually brought the debate to a fairly harmonious conclusion. Only one French-speaking member refused to consider any compromise design for a flag which included the Union Jack.

The principal point at issue in choosing a distinctive national flag was whether or not it should retain the Union Jack as a symbol of Canadian attachment to the Commonwealth. The real difficulty, therefore, was not faced until the final decision had to be made between the "Red Ensign" with the golden maple leaf on the fly and the Drapeau Canadien, which contained a green maple leaf but no Union Jack.

The Drapeau Canadien was finally eliminated when a motion for its adoption by a Quebec member was defeated. When the result was announced, Mr. Lacroix, one of the French-speaking members left the meeting in angry protest, charging that everything had been "fixed" against the Quebec design, which he believed to be the one design symbolising full equality of all races in Canada and in no way anti-British. The other French-speaking members, however, who had up till then strongly supported the adoption of the Drapeau Canadien, after the defeat of the motion, were prepared to agree to a compromise design. The Progressive-Conservative members of the committee, for their part, were similarly willing to compromise and to make some recognition of Quebec's claims. In particular they were willing not to press for the Red Ensign as such, but to agree to the incorporation of the Maple Leaf. The way was therefore clear for agreement.

A sub-committee was then appointed to consider what changes could be made in the "Red Ensign" design to meet the wishes of French Canada. The compromise design, which gained the approval of all but one member, has now been included in the committee's final report to Parliament. I enclose a copy of the report herewith.

Apart from the disappearance of the Coat of Arms and its replacement by the Maple Leaf, one of the changes is likely to be the reduction in the size of the Union Jack. It will now be "in a canton," which means, I understand, that it must cover less than a quarter of the entire area of the flag and more than one-ninth. The significance of this change in heraldic terms is said to be that whereas at present the message the flag conveys is "Britain" (Canada), the new flag will mean "Canada" (Britain). The golden maple leaf bordered by a background of white on the fly will carry the primary message—the canton, a secondary one. The change is intended to fulfil the committee's recommendation that the new flag should be a "symbol distinctive of Canada as a nation," while retaining also the symbol of connexion with the Commonwealth.

One of the most significant features of the present controversy has been the complete disappearance of any opposition to a distinctive Canadian flag from "Imperialist" elements in the country. Any previous debates on a Canadian flag have brought forth protests from those who see no reason for Canada recognising any flag other than the Union Jack. All the opposition in the present discussions has come from Quebec where the cry has been for a Canadian flag without a Union Jack.

Though there may be a considerable struggle, there seems little doubt that the design chosen by the committee will be approved by a majority in Parliament and is likely to be accepted in every province outside Quebec. It is understood that the Quebec members on the committee were persuaded at a Liberal caucus to support the Red Ensign design, and it is well possible that the Prime Minister may have had a hand in the matter. But this unfortunately cannot be taken to mean that the design will receive support from the people in Quebec. Mr. Lacroix represents the opinion of a great many French-speaking Canadians, and already murmurs of dissatisfaction have been voiced in the French-language press. The St. Jean Baptiste Society is leading a violent protest against the chosen design and has sent a telegram to the Prime Minister protesting against the Federal Government's action in selecting a national flag "bearing a sign of subjugation to a foreign Government."

With the Prime Minister's departure for Paris and the volume of business outstanding, it is possible that the committee's report will not be discussed during the present session. This may unfortunately only give more time for the opposition to gather. In any case we shall report when the matter comes up.

Yours sincerely,

J. J. S. GARNER.

Enclosure in No. 20

Report of Committee.

MR. HARRIS (Grey-Bruce), from the Joint Committee of the Senate and the House of Commons appointed to consider and report upon a suitable design for a distinctive national flag for Canada, presented the second and final report of the said committee, which is as follows:—

Your committee held fourteen public sessions.

The submission of designs to the committee was publicly invited, and up to and including this date, 2,695 designs were received and considered. In addition, communications in the form of written letters, resolutions and printed form cards and printed form letters to the number of 42,168 were received and wherever the sender's name and address were given, receipt was acknowledged.

Evidence was heard from Colonel A. P. Duguid, D.S.O., Army Historian Department of National Defence (Army), and from Lieut.-Commander Alan Beddoe, O.B.E., R.C.N. (R).

In the discussion of all phases of the subject assigned to the Committee an admirable spirit of tolerance and co-operation was reflected.

By a process of elimination the members of the Committee finally reduced their selection to one design, which has been evolved in the course of the deliberations of the committee. The committee has not prescribed the exact details of the design, but has agreed upon the following recommendation:—

Your committee recommends that the National Flag of Canada should be the Canadian Red Ensign with a maple leaf in autumn golden colours in a bordered background of white replacing the Coat of Arms in the fly; the whole design to be so proportioned that the size and position of the maple leaf in relation to the Union Jack in the Canton will identify it as a symbol distinctive of Canada as a nation.

A copy of the printed minutes of proceedings and evidence is tabled herewith.⁽¹⁾

(For minutes of proceedings, evidence, &c., accompanying said report, see Appendix to the Journals, No. 3.)

⁽¹⁾ Not printed.

[W 9462/102/68]

No. 21

Sir P. Clutterbuck to Viscount Addison.—(Received in Dominions Office 22nd August.)

(No. 346.)

My Lord,

Ottawa, 17th August, 1946.

PREVIOUS despatches from this post have reported developments as they occurred in recent months in Canada in connexion with the enquiry into espionage

activities. With the publication of the final report of the Royal Commission, the matter can now be seen in perspective and I enclose a memorandum (Appendix I) giving a general account of these somewhat sensational events and commenting on the Royal Commission's report. I also enclose, for convenience, a statement (Appendix II) briefly outlining the sequence of events, together with a note summarising the contents of the Royal Commission's report (Appendix III).

2. Briefly the report reveals the existence of a series of espionage organisations in Canada under the control of officials in the Soviet Embassy. It finds that two senior members of the Labour-Progressive (*i.e.*, Communist) Party, one of them a Member of the Canadian Parliament, acted as agents for the Soviet organisers, and that nearly twenty persons in Government service (including certain employees of the United Kingdom Government, whose cases have been separately reported to you) were implicated in these activities. It also reveals the names of seventeen persons attached to the Soviet Embassy who were concerned in the illegal activities. The Soviet Ambassador himself was specifically exonerated.

3. It is to be expected that the report will be scrutinised with care far outside the borders of Canada, for it throws a highly illuminating searchlight on Russian methods and suggests that what has been happening in this country is no isolated phenomenon but part of an elaborate system extending to many other countries, including apparently the United Kingdom and the United States. In this connexion it is particularly worth emphasising that according to the evidence of Gouzenko, which the commission accept, there were several parallel undercover systems operating from the Russian Embassy, all working in extreme secrecy even from each other, and each having its own ciphers and its own separate channel of communication with Moscow. The activities of only one of these networks, the military intelligence division under the military attaché, have been uncovered by this enquiry, since it was only with that division that Gouzenko was himself concerned. Whether, in face of the recent publicity, the other parallel systems are still operating is a matter of guess-work, but there is clearly a danger that even if they are going slow for the moment it will not be long before they seek to resume full activity. Of the other systems, the most important were those conducted by representatives of the N.K.V.D. (the Russian secret police) and of the Central Committee of the Russian Communist Party. Gouzenko himself thinks that the N.K.V.D. network was far more extensive than that of his own division, and the commission state bluntly that the N.K.V.D. "have a powerful organisation in Canada."

4. When I arrived here at the end of May I detected a certain slackening of interest in the enquiry and in the trials which were resulting from it, though there was intense interest in and irritation with Russia's intransigent attitude in the international field generally. Russian policy was to most people like a crossword puzzle to which even the most expert and ingenious solvers could provide no convincing solution. The result was a growing feeling of frustration and disillusionment and a sense of a gap it was impossible to bridge. Many people see little difference between the Russian methods of to-day and the German methods we have fought two wars to eradicate, and though there is a general hope that the Russians merely want educating and will settle down in time, a deep disquiet inevitably remains. Not much public expression has been given to this uneasiness, but the Royal Commission's report is likely now to increase public concern. For hitherto the Canadian people have felt that at least the disturbing elements in Canada's own population had been rooted out as a result of the enquiry; now, with the revelation that only one of several parallel organisations has been uncovered, they are denied even this comfort. It is clear that security measures of all kinds will now have to receive increasing attention.

5. In the meantime, contrary to expectation, the Soviet Government have been somewhat slow in reacting to the publication of the Royal Commission's report. The ambassador was recalled to Russia in December and is still absent from Canada, though his wife remains in Ottawa. The military attaché was likewise recalled, and is reported since to have paid for the disclosures with his life. At the request of the Canadian Government the sixteen other members of the Soviet Embassy's staff whose names are listed on pp. 85-86 of the report have also been withdrawn—without any sort of fuss or protest. Within the last few days, however, the Soviet press has reverted to the subject in a new outburst against the Canadian Government. What this may portend remains to be seen. The Canadian Government remain sincerely desirous of good relations with Russia and will no doubt continue to do their best to damp down criticism here; but this does not alter the general conclusion that the whole incident is bound to result in a very considerable hardening of opinion throughout Canada.

against the Soviet Government and the crude external policy which it is apparently pursuing.

6. I am sending copies of this despatch to His Majesty's United Kingdom Ambassador at Washington and to the United Kingdom representatives in other Dominion posts.

I have, &c.

P. A. CLUTTERBUCK.

Appendix I to No. 21

Memorandum.

IT was clear from the outset that there were two aspects involved in this enquiry, first the external and diplomatic one of relationship with a foreign Power, and secondly the domestic one of actions by Canadians and the steps to be taken by the Canadian Government to deal with them.

2. The background of Canada's relations with Soviet Russia was, before the enquiry began, a not unfavourable one. Canada had taken no particular part in the campaign against Bolshevism after the 1914-18 war, and there had been during the last decade a growing feeling of sympathy and understanding for Russia. Much had been made of the common interests of Russia and Canada, both being regarded as young, vast and undeveloped territories, with similar problems in the Arctic north. This feeling of sympathy received a strong fillip with Russia's entry into the war against Germany. As in other Allied countries, the Canadian authorities were at pains to emphasise, indeed, to over-emphasise, the rôle of "heroic" Russia, and there was widespread admiration for her part in the war. This was evidenced by the growth of numerous Canada-Soviet friendship societies, which held many successful and widely-attended rallies. The establishment of a Soviet Legation in Ottawa in 1942 and its elevation to an embassy in 1944 were regarded as fitting: the embassy, by scattering invitations to its mammoth parties far and wide, and in other ways, seemed anxious to establish the friendliest relations with Canadians generally.

Since the enquiry became public, the Canadian authorities themselves have been at pains to avoid causing unnecessary embarrassment to Russia. The press also has been remarkably restrained. As the enquiry proceeded, it became more difficult to maintain the fiction that the Soviet Government were not directly implicated and, as will be shown later, the Royal Commission eventually spoke about Soviet activities in no uncertain terms. It was the Soviet Government themselves who first admitted that they were the "foreign Power" involved and, shortly after the opening of the enquiry, a campaign of some violence was opened in the Soviet press, abusing the Canadian Government and Mr. Mackenzie King in particular.

It might be an interesting speculation to assess what would have been the effect of the spy enquiry in Canada on relations with Soviet Russia if that enquiry had not occurred at a time of steadily deteriorating relations between Russia and the Anglo-Saxon Powers; as it was, however, the results of the enquiry were revealed in an atmosphere that was already vitiated and the events in Canada merely fitted into the general pattern as minor pieces in the game.

3. But, while it is the external aspect that is fundamentally more important, it is the domestic aspect that has been uppermost and has caused the greatest public attention.

4. The most obvious effect of the enquiry has been to cause a sharp reaction against communism. It should be borne in mind that, while the general atmosphere of Canadian-Russian relations was harmonious, there is a long history of antagonism to the Communist Party in Canada. In general the Canadian mind is much less ready to consider or tolerate even academic Communist views than is the case, say, in the United Kingdom. On the contrary, there has been here, as there is in the United States, a deep-rooted prejudice of communism and all its works. Moreover, its leaders in Canada are more noticeably of foreign extraction, many of them being settlers from Eastern Europe. In any event, communism has never won many adherents in Canada outside a very small intellectual clique. The party was banned in 1940 for its anti-war activities, and for a time went underground; those of its leaders who were unsuccessful in hiding were detained under wartime regulations. It re-emerged subsequently

with the title of Labour Progressive and this has been tolerated. But considerable stigma still attaches to the name of communism. In particular, of course, the Roman Catholic Church has never ceased to denounce communism and the party has been subject to persecution in the Province of Quebec. The events of the last few months, therefore, have not failed to revive former prejudices, and it would not be unfair to say that the result has been that the old antagonism has now settled down to a general dislike, contempt and fear of communism throughout Canada. To some extent this feeling has been developed to cover by extension other organisations which are thought to be markedly Left wing. Already Right-wing Members in Parliament have denounced the Film Board, the Canadian Broadcasting Corporation and the Canadian Information Services on the grounds that they include individuals of Communist leanings, and it seems possible that the wind will not blow any good even to the C.C.F.

5. One of the most obvious questions to be asked was how did it come about that responsible Government servants were willing and also able, without detection, to act as agents of a foreign Power? The unaccountability of their action was only increased when the names of the persons involved were given and it transpired that many of them were respected and intelligent Canadian citizens occupying responsible Government posts. To this question the Royal Commission attempts an answer and its comments in this connexion probably form the most interesting and valuable chapter in the report; they are summarised in section II (6) of the summary contained in Appendix III, but the whole chapter (Motivation of Agents, pp. 57-83) is worth reading in full.

It may be observed that all of the agents in Government service were young (and incidentally none was permanently established and all but one had been appointed since the war); nearly all were graduates on scientific subjects; all (with one exception—Mrs. Woikin, whose parents were Russian) had an ideological sympathy with communism and some, at least, had reasons in their private lives to be dissatisfied with the society in which they lived. Incidentally, of the twenty-six persons mentioned in the report as being involved in dealings with the Soviet agents, ten had a foreign background (mostly Russian or Polish), and no fewer than six had an English background; most of the remaining ten were of Canadian parentage. But there seems no reasonable doubt that the main attraction was purely ideological and that the technique employed by the Russians was to attract persons with Communist sympathies to study groups (which the Commission refer to as "cells") and, in due course, after suitable development, to arrange for them to be approached by Canadian Communists with a view to their communicating information. It is remarkable that there is no case, according to the evidence, of such a request being refused, and certainly no case in which such an approach was reported to the responsible authorities.

Incidentally, it may be noted that, while the methods employed by the Russians were, as the Commissioners report, extremely thorough, there were instances on the other hand of strange incompetence and muddle. On the one hand the "Director" in Moscow described in detail, for example, that Dr. May was to meet his contact in front of the British Museum on the far side of the street carrying a copy of *The Times* under his left arm and that his contact should proceed in the opposite direction carrying a copy of *Picture Post* in his left hand. On the other hand there are the following strange incidents:—

- (1) Nightingale was approached by Major Rogov direct on several occasions and reports that his English was so bad that he did not understand it.
- (2) Professor Boyer agreed that it was clear from the documents that Rose had mixed up the pilot plant in connexion with R.D.X. and the pilot plant in regard to uranium in repeating information received from Boyer to the Soviet Embassy.
- (3) The arrangement made for Mrs. Woikin to transmit the transcript of telegrams received in the Department of External Affairs was that she visited the waiting room of an unsuspecting dentist and deposited the documents underneath the lid of the tank in the water closet whence they were subsequently removed by Major Sokolov.

6. There is one other aspect which has considerably engaged public attention—the aspect of civil liberties. While there has been general agreement that justice must be done, there has been a strong current of opinion throughout Canada insisting on the liberty of the subject and demanding the ordinary rights of law. There have at various times been violent criticisms of the particular steps taken as regards the persons concerned, many of which have been regarded as contrary to the principles of Magna Carta, the Bill of Rights and Habeas

Corpus. First there was the secret detention of persons for interrogation in the R.C.M.P. barracks without allowing them any communication with other persons, let alone the benefit of counsel, and indeed without informing them for what purpose they were detained. Secondly, the Royal Commission, which was not a judicial body, reported their findings with regard to individuals. Thirdly, the evidence given by the individuals in such circumstances has been published and has been used by the Crown in prosecutions against them. There can be no doubt that many of these procedures were distasteful to liberal Canadian opinion and indeed it was only too obvious that in defending them in Parliament Mr. St. Laurent, the Minister of Justice, was himself far from happy. (His task was not made any easier by the fact that some time after the passing of the secret Order-in-Council of the 6th October in reply to questions in Parliament, he had, in a moment of absent-mindedness, denied that any secret orders existed!) A move backed by powerful support in the press and elsewhere has been made in Parliament for the enactment of a bill of rights and, yielding to pressure, the Government have promised to consider introducing legislation on the subject.

7. Be all that as it may, there is little doubt that when action was first taken there was a general disposition, in view of the serious nature of the charges, to accept the steps taken by the Government as necessary. It was only later, as the proceedings dragged on, that criticism of these steps grew to any dimensions. (It may be remarked, however, that, from the legal point of view, there is one curiosity about the Commissioners' comments on the Order-in-Council of the 6th October. That order was stated to be "pursuant to the powers conferred by the War Measures Act" (which expired on the 31st December, 1945, but was continued by the Emergency Powers Act). No doubt by accident, the Commissioners never refer to that Act in their comments and indeed suppress the reference to the statute in quoting the order which is stated to be reproduced in full. On the contrary, they lay much emphasis on the provisions of the Official Secrets Act and refer to the common law, justifying the action on the needs of the safety of the State and relying on the maxim "*Salus populi suprema est lex.*" It might be added, however, that if the Defence of Canada regulations had not been repealed almost *in toto* some few weeks earlier, the action taken would have needed no new Order. The Order was in full similar to the powers in wartime in Canada, the United Kingdom and elsewhere to effect internment without trial.) But, in the final analysis, it will be difficult to escape the conclusion of the Royal Commissioners themselves that "we felt that the exercise by the Minister of the power conferred upon him by Order-in-Council P.C. 6444 would have much more chance of effectuating the preventive intention of that Order by the discovery of the full ramifications of the espionage organisation than failure to exercise it, the result of which would be to leave to these persons the fullest opportunity . . . to collaborate with each other and to receive instructions . . . as to what they should or should not reveal."

8. Nor is it likely that there will be any further criticism of the Government's decision to deal with this matter by setting up a Royal Commission. The issues were so complex and so novel that they were scarcely susceptible of treatment by normal departmental methods. The Government have from time to time been attacked on various aspects of the matter, but now that the full revelation has been made, they are likely to win much credit for handling the matter so seriously and on the whole successfully. Incidentally, the Government may also be expected to reap the advantage that the Commission itself, rather than the Administration, will draw the fire of any criticisms levelled against the actual conduct of the enquiry. On balance, therefore, the Government have emerged from this crisis with a considerable degree of success, even if not completely unscathed.

9. As to the report itself, this has so far generally been praised as a masterly uncovering of the spy organisation. The report is indeed a brilliant study. It is thorough, clear and forceful. It is a courageous and outspoken piece of writing and minces no words in speaking of the activities of the Soviet authorities. Altogether it is a most readable document and misses no point in the drama of the story. On the other hand, one cannot avoid the impression that the attempt to give dramatic effect has led at times to unjustifiably extravagant language; the search for brilliance has not necessarily always led to an impartial judicial conclusion. Indeed, on close examination it appears remarkable at times that the document should have been issued over the signature of two judges of the Supreme Court. The following examples may serve to elucidate this criticism. In the first place, the language used in the report is emphatic and such epithets as "undeniable," "unhesitatingly," "extremely," &c., occur throughout the report. Secondly, the personal

views of the Commissioners are on occasion revealed. For example, in referring to Gouzenko they say, "we have been impressed with the sincerity of the man and with the manner in which he gave his evidence which we have no hesitation in accepting." Contrast with this their view of Shugar, of whom they say, "Shugar was an evasive witness where crucial matters were concerned. As an illustration he exhibited that same concealment and air of furtiveness shown by other witnesses." Thirdly, the report states as facts what can, on the evidence, only be regarded as inferences drawn from them. For example, in the section on Eric Adams they say, "Adams's library was literally full of Communist books. . . . Yet, except for Agatha Chapman, no one of Adam's associates in his work knew he had any such views." They add, "it is not surprising to find that Adams, as a well-trained Communist, had in his home a file headed 'Civil Liberties.' This contained such material as (naming certain Communist pamphlets) as well as other material." The Commission draw the conclusion: "Adams was interested in civil liberties, but solely from the Communist point of view."

There is, of course, a difficulty which the Commissioners were up against. None of the information concerning the espionage activities would have reached them but for the action of Gouzenko. This is inevitable, but it is a pity, because in spite of the fact that the Commissioners were able in the end, by close questioning of various witnesses, to build up a closely connected story, the point still remains that the whole story hangs on the single thread of Gouzenko's evidence and on the documents which he produced. There can be no doubt but that the documents are genuine; there is little doubt that Gouzenko himself was sincere and probably told the truth so far as he knew it. But he was merely a subordinate official who was probably very far from knowing anything like all the story and yet the Commissioners tended to see the whole matter through Gouzenko's eyes (though it is fair to add that when corroboration from other sources was secured, Gouzenko was invariably supported on questions of fact and that he was, in fact, a good witness, and distinguished sharply between what he knew at first hand and his own inferences). This criticism might, perhaps, not have been so valid had not the Commissioners themselves fallen into the trap of writing their report in such a manner as to give the appearance that they regarded Gouzenko's evidence (*e.g.*, about such important matters as the existence of the Comintern) as statements of fact.

10. It must be recognised, too, that the Commissioners were placed in a dilemma by having a dual task thrust upon them. According to their terms of appointment, their primary duty was to report on who, in the public service, was involved: but they also had the wider function of investigating the whole espionage system. But this inevitably means that their report takes on two self-contradictory qualities—it is not only a commission appointed to report to Parliament on a general question, but also it inevitably constituted itself a judicial tribunal, in effect, to try certain persons suspected of illegal activities, without any actual charge being laid against them. It is fair to the Commissioners to say that this difficulty was inherent in the problem and was an insuperable one. But it has led them to make comments in a public document which cannot fail to be prejudicial to the individual if and when proper judicial proceedings are taken. In certain cases, for example, the Commissioners frankly state that the person questioned was furtive and evasive and that they did not accept his answers.

11. It only remains to be said that the whole affair has caused the greatest possible sensation in Canada. When the news first came out the story was in the headlines every day for a month and the press were led into all sorts of speculations and guesses about the intrigues that had been going on. Latterly the press has struck a more responsible note and comment has generally followed the line of demanding that the menace must be dealt with effectively and promptly; there has also been an undercurrent insisting that civil rights must not be tampered with.

In Canada, as a whole, the news first came as an intense surprise and shock. There was amazement that Canada should have become overnight the scene of so dramatic a spy story. At first there was some pride at this example of Canada feeling free to take so strong and independent a line in an important matter of foreign policy (though it was generally and rightly assumed that this action was not being taken without consultation with the Governments of the United Kingdom and the United States). This feeling was mingled to some extent with an uneasiness that, if this was the price of being a great Power, then many Canadians would prefer her to remain as she was.

12. In conclusion, as indicated above, the long-term effects in Canada are likely to be:—

- (1) A very considerable hardening of opinion against the Government of the U.S.S.R.
- (2) Inevitably, though not necessarily universally, increased distrust of the Communist Party and a much greater awareness of the methods and objects of the "borers from within," and possibly an attempt to place further obstacles in the party's way if and when it emerges from its present attitude of lying low.
- (3) Possibly some temporary lessening of support for Left-wing organisations and ideas generally.
- (4) An influential, if not particularly widespread, insistence on the preservation of civil liberties.

Appendix II to No. 21

Sequence of Events.

1. Shortly after escaping from the Soviet Embassy on the 6th September, Gouzenko, a cypher clerk in the Soviet Embassy at Ottawa, got in touch with the Canadian authorities and revealed to them the existence of an espionage organisation under Colonel Zabotin, the military attaché at the Embassy, bringing with him a number of original documents as evidence.

2. On the 6th October, 1945, a special Order-in-Council under the War Measures Act was passed providing for the interrogation and detention of any particular person with a view to preventing him from communicating secret and confidential information to an agent of a foreign Power. (No immediate action was taken under these powers.)

3. On the 5th February, 1946, an Order-in-Council was passed appointing Mr. Taschereau and Mr. Kellock, both judges of the Supreme Court, to be Commissioners to enquire into and report upon which public officials and other persons had communicated information to the agents of a foreign Power and the facts relating to and the circumstances surrounding such communications.

4. On the 15th February thirteen persons in Government service were detained for interrogation under the powers of the Order-in-Council of the 6th October.

5. Up to that time all the above developments had been secret but, later on the day of the 15th February, the Prime Minister announced that information had reached the Canadian Government establishing that there had been disclosures of secret information to unauthorised persons, including some members of the staff of a foreign mission in Ottawa, and he disclosed that the Royal Commission had been set up. He also stated that a number of persons known or suspected to be implicated had been detained, though at this stage their names were not given.

6. The Royal Commission published interim reports on the 2nd, 15th and 29th March in which they reported their findings on a number of the persons detained, and in their third interim report referred to Fred Rose, a Labour Progressive member of the Federal Parliament.

7. In accordance with these findings legal proceedings were taken in the courts against the persons implicated. These proceedings have not been completed; so far four persons have been sentenced to terms of imprisonment varying from two to six years. In one case only (Shugar) the magistrate dismissed the preliminary hearing on the grounds of insufficient evidence, but the Royal Commission made further reference to the matter in their final report and he has again been charged.

8. The final report of the Royal Commission was issued on the 27th June. For convenience a brief summary of this is enclosed in Appendix III.

Appendix III to No. 21

Summary of the Report of the Royal Commission to Investigate the Facts relating to and the Circumstances surrounding the Communication by Public Officials and other Persons in Positions of Trust of Secret and Confidential Information to Agents of a Foreign Power.

Section I.—Introductory.

This reviews the procedure of the Commission.

Section II.—*The General Pattern.*

1. *Introductory.*

It was Gouzenko who revealed the existence in Canada of a widespread conspiracy to obtain secret official information. The attempts to obtain such information cannot be qualified as casual or isolated. They are not merely the acts of over-zealous Soviet employees anxious to inform their own Government. The set-up of the organisation is the result of a long preparation by trained and experienced men who have come here for the express purpose of carrying on spying activities and who have employed all the resources at their disposal, with or without corruption, to fulfil the tasks assigned to them.

The work was carried out under conditions of extreme secrecy and cover names were given to all the persons in the "net."

As early as 1924 there was an organisation at work directed from Russia and operating with Communist sympathisers, and Colonel Zabotin did not come here to inaugurate a system of espionage but to continue and amplify the work of his predecessors. That work continued until his departure in December 1945 for a visit to Moscow, "from which he does not appear to have returned!"

2. *Parallel Under-cover Networks.*

It seems that several parallel but distinct under-cover systems existed in Canada under the direction of the embassy. They appeared to be as follows:—

- (1) The organisation operated by Colonel Zabotin, the military attaché.
- (2) Parallel military system.
- (3) The N.K.V.D. system.
- (4) Naval intelligence system.
- (5) The political system.

The only system investigated in detail is that under Colonel Zabotin and it is quite impossible to say whether the other systems are still carrying on their activities.

3. *International Links of Zabotin's Network.*

There is evidence that the activities carried on in Canada were linked with spying activities in other countries, particularly the United States and the United Kingdom.

4. *The Comintern.*

The documents brought by Gouzenko corroborate his testimony that "the announcement of the dissolution of the Comintern was probably the greatest farce of the Communists in recent years." The efficient functioning of the Comintern organisation is shown by the highly systematised interest of the Soviet authorities in the recruiting of new agents.

5. *Recruiting Methods.*

A belief in or a sympathy with or a susceptibility to the Communist ideology was a primary requirement in the persons to be recruited. The Communist Party was the main recruiting base. Numerous study groups were in existence in Ottawa, Montreal and Toronto; to outsiders these groups adopted various disguises but they were, in fact, "cells" and were the recruiting centres for agents and the medium of development of the necessary frame of mind which was a preliminary condition to eventual service for the Soviet Union.

Constant emphasis was placed on further recruiting and the evidence discloses that secret members of the party played an important part in placing other secret Communists in various strategic positions in the public service.

Supplementary recruiting methods were also contemplated, such as social contacts and the official registration of Ukrainians and Poles.

Attention is drawn to the vast increase of Russian staffs and the conclusion reached "it is obvious that there was intended to be a large-scale post-war expansion of the network of Canadians in the military espionage system."

6. *Motivation of Agents.*

The commission remark that perhaps the most startling aspect of the entire network was the uncanny success with which the Soviet agents were able to find Canadians who were willing to betray their country.

They find no evidence that monetary incentive played an important part in the original motivation of these persons, though sums of money were in due course later paid to a number of the agents. For these, receipts were on occasion demanded and the commission suggest that these could presumably be used for blackmail purposes if necessary.

But they find that the evidence shows that in the great majority of cases motivation was inextricably linked with courses of psychological development carried on under the guise of activities of a secret section of what was ostensibly the Labour Progressive Party.

It seems to be the general policy of the Communist Party to discourage certain selected sympathisers from joining the party openly. One object of this is thought to be that it assists in gaining control of a number of organisations. But there would appear to be a further object, *viz.*, to accustom the adherent gradually to an atmosphere and an ethic of conspiracy. The technique of subjecting a person over a period of time to conditions of secrecy seems calculated to develop a psychology of a double life and double standards. Further, one effect of this prolonged habituation to conspiratorial methods is to isolate the person from the great mass of the Canadian people.

The commission studied the methods pursued in the study groups or "cells" and find that the curriculum was designed to weaken the loyalty of the member towards his society as such. The effect of the courses seems to be a gradual development of a sense of divided loyalties or, in extreme cases, of a transferred loyalty.

A further objective is gradually to inculcate a habit of complete obedience to the dictates of the party hierarchy and to instil in the mind of the member the view that obedience to the organisation takes precedence over his loyalty to Canada. The commission find it significant that not a single one of the Canadians approached ever suggested that they contemplated taking the one loyal or legal course of action—reporting the criminal request to the Canadian authorities. This they regard as a striking illustration of the efficiency of the Communist study groups in inducing a motivation in clearly illegal party assignments.

The evidence suggests that at each stage of "development" the adherent is kept in ignorance of the wider ramifications and real objects of the organisation.

It also appears that anti-semitism and the natural reaction of persons of Jewish origin to racial discrimination was one of the factors played upon by recruiting agents. In some cases a desire for companionship and intellectual discussion may have played its part. In the vast majority one important element would seem to have been propaganda carried out by the Communists for various measures of social reform in Canada. In associating such domestic propaganda with the external propaganda of the particular foreign State, the Communists were following the successful technique of modern advertising much as a pretty face is used for advertising cigarettes.

The report suggests that it is by these means that a number of young Canadians, who began with a desire to advance causes which they considered worthy, were induced into joining Communist study groups. They were then persuaded to keep their membership secret and were later led along the ingenious psychological development courses until, under the influence of sophisticated and unscrupulous leaders, they were persuaded to engage in illegal activities. Essentially what happened was the transplanting of a conspiratorial technique, first developed in less fortunate countries to promote an underground struggle against tyranny, to a democratic society where it is singularly inappropriate.

7. *List of Identified Agents in Canada.*

This contains a list of seventeen persons in Government service and seventeen persons on the Soviet Embassy staff who engaged in the activities under review.

8. *The Soviet Ambassador had no part in the inadmissible activities.*

The report concludes from the evidence that, under instructions from Moscow, Colonel Zabolotin kept the ambassador in ignorance of what was going on.

9. *Conclusion.*

The evidence shows that Zabolotin's organisation was particularly anxious to obtain technical information regarding devices which would be used in the post-war defence of Canada, the United Kingdom and the United States; secret information regarding political plans; economic information and details regarding local Canadian defence. The report shows that Zabolotin successfully fulfilled many of the tasks assigned to him. His superiors were obviously satisfied with

his work for he was awarded the Order of the Red Banner and the Order of the Red Star. On receiving a message of congratulation, Zabotin is reported to have said: "I have nothing to be afraid now to go to Moscow."

Section III.—*The Cases of the Individual Agents.*

These are as follows:—

- (1) Sam Carr, organising secretary of the Communist Party.
- (2) Fred Rose, Labour Progressive member of the Federal Parliament.
- (3) D. G. Lunan (Wartime Information Board).
- (4) D. P. Smith (National Research Council).
- (5) E. W. Mazerall (National Research Council).
- (6) I. Halperin (attached to the Directorate of Artillery).
- (7) F. W. Poland (R.C.A.F. and later secretary of the Interdepartmental Psychological Warfare Committee).
- (8) E. Adams (Bank of Canada and Industrial Development Bank).
- (9) Kathleen Willsher (United Kingdom High Commissioner's Office).
- (10) S. M. Nightingale (R.C.A.F.).
- (11) D. Shugar (Royal Canadian Navy and Department of National Health and Welfare).
- (12) H. S. Gerson (Allied War Supplies Limited and Department of Munitions and Supply).
- (13) Samuel Sol Burman.
- (14) Raymond Boyer (McGill University and National Research Council).
- (15) J. S. Benning (Allied War Supplies Corporation and Department of Munitions and Supply).
- (16) Allan Nunn May (United Kingdom Civil Servant employed at the Montreal Laboratory).
- (17) Agatha Chapman (Bank of Canada and Bureau of Statistics).
- (18) Freda Linton (Wartime Information Board).
- (19) Emma Woikin (Department of External Affairs).

The commission finds that all of the above persons were connected with the activities of the Soviet Embassy, and either themselves disclosed secret information, conspired to do so or were aware that it was being done.

Section IV.—*The Cases of Other Individuals.*

The commissioners report that Norman Veall, a member of the party of United Kingdom scientists at the Montreal laboratory, did not communicate information with respect to the atomic work, for the reason that the Russians designedly did not ask him.

The commissioners report that they are unable to say that H. I. Sorenson (Operational Intelligence Centre at Naval Headquarters) communicated secret information.

The commissioners report that J. I. Gottheil (Canadian infantry) was not one of those who furnished information to the Russians; he was being cultivated for that purpose but there is no evidence that he did so.

Section V.—*The False Passport.*

The report describes at length the steps taken by the Soviet Embassy to obtain a false passport, for which a sum of \$3,000 was paid (the previous price of \$5,000 suggested having been considered as "fantastic" by Moscow).

The persons concerned in this were:—

- (1) Sam Carr.
- (2) John Soboloff (medical practitioner at Toronto).
- (3) Henry Harris (an optometrist in Toronto).
- (4) W. M. Pappin (an official in the Passport Office).

Section VI.—*Germina Rabinowitch.*

She was a member of the International Labour Organisation and arrived in Canada to work in the headquarters of the organisation, then transferred to Montreal. There is evidence that she was instrumental in transferring through a firm in New York a sum of \$10,000 to Europe and that she assisted in forwarding correspondence.

Section VII.—*Evaluation of Information and Material Handed Over.*

The commissioners find it impossible to say how much information was obtained or of what it all consisted, but consider that a very great deal of secret information from a number of departments was regularly finding its way to the Russians. This included information about atomic energy, radar, asdic, explosives, propellants and V.T. fuse. Information was also given about Canada's post-war economic and military potential. A further category of information handed over was political, much of it classified as top secret and relating not only to the policies of the Canadian Government but to those of the Governments of the United Kingdom and the United States.

Section VIII.—*Arrangements made by the Canadian Department of National Defence for supplying Information officially to the Soviet Military Attaché.*

The report describes these arrangements and concludes that the behaviour of the Canadian liaison officer was entirely correct, mentions that little use of this liaison was made by the Soviet Military Attaché and that no information whatsoever officially asked by Colonel Zabotin was refused.

Section IX.—*Authenticity and Accuracy of the Russian Documents.*

The commissioners reached the "inescapable" conclusion that the documents brought by Gouzenko are authentic; they refer to the admissions made in Moscow, the proof of handwriting and many other circumstances.

Section X.—*Gouzenko.*

The commissioners report that they have been impressed with the sincerity of Gouzenko and with the manner in which he gave his evidence, "which we have no hesitation in accepting."

Gouzenko stated that in the embassy the fact that the Soviet Union was preparing for a third World War was frequently talked about. There were, however, two schools of thought; those who were not really tied in with a Communist Party feared another World War, while those who were ardent members really wished for it because they thought that to be part of the process leading toward a general upheaval throughout the world which would result in the establishment of communism.

Gouzenko stated "it is clear that the Communist party in democratic countries has changed long ago from a political party into an agency net of the Soviet Government, into a fifth column in those countries to meet a war."

Full details are given of the extraordinary events on the night of the 6th September after Gouzenko had escaped from the embassy and while members of the embassy were searching for him. On the 7th September the embassy addressed an official note to the Department of External Affairs asking the department "to take urgent measures to seek and arrest Gouzenko and to hand him over for deportation as a capital criminal who has stolen money belonging to the embassy." The report notes the reference to Gouzenko as a *capital* criminal. Apparently the department replied to this note and to a reminder on the 14th September by asking for particulars of the moneys stolen. This enquiry was never answered.

Section XI.—*Law and Procedure.*

The commissioners point out that the exercise of the authority conferred by the Order in Council of the 6th October, 1945, was purely preventive in its nature and not punitive with respect to past conduct. They add that the disclosure of secret information to a foreign Power is a subject which is not regarded either in Canada or in England as on a level with what may be called ordinary domestic offences since the Official Secrets Act shifts the burden of proof from the State to the accused, and it is for the person accused to establish his innocence to the reasonable satisfaction of the tribunal.

The commissioners reached the conclusion that the detention of persons under suspicion was essential to enable the full ramifications of the espionage organisation and the identity of all its agents to be investigated. The documents brought by Gouzenko, if authentic, revealed "a malignant growth the full penetration of which we did not know but which was alive and expanding, working in secrecy below ground directed against the safety and interests of Canada by a foreign Power and made up of Canadian citizens." It is in this connexion that the

commissioners reproduced the alleged statement by Zabotin "yesterday they were allies, to-day they are neighbours, to-morrow they will be our enemies."

The commissioners are satisfied that the arrangements for detention led to the discovery of others concerned in these activities.

They also report that none of the witnesses detained made any complaint about their interrogation, their living conditions or their treatment by the R.C.M.P.

As regards the actual interrogation, the commissioners refer to the statutory obligation to speak. Under the Enquiries Act the commissioners are given power to compel a witness to speak and to impose sanctions in case of a refusal.

The commissioners also say that they considered it expedient not to accede immediately to the request of a witness for representation, although "in most instances we did so upon request being made."

They also state that it was not their duty to advise witnesses that they might, if they desired, avail themselves of the provisions of the Canadian Evidence Act (under which any evidence given could not have been used in subsequent proceedings).

The commissioners also state that they realised that the admission of hearsay and secondary evidence might mean that conclusions would be come to about certain individuals which, while entirely sound and incontrovertible, might not be possible of proof in subsequent proceedings where the stricter rules of evidence were applied.

As regards the status of the commission, the report says that "the commission's findings are as authoritative as those of any court." The commission does not possess the power to enforce its findings. If it makes findings about certain persons the authorities must resort to the courts which alone possess the power to punish. "Whatever the view there taken, the findings of the commission arrived at under its own procedure and on the evidence before it are not affected and remain valid."

Section XII.—*Summary of Findings.*

This contains a useful summary of conclusions.

Section XIII.—*Recommendations.*

The report recommends—

- (1) That confidential information placed before the commission should not be published without the approval of the Government authority concerned;
- (2) That the proper authorities should take steps to prevent further unauthorised transmission of information and to set up further safeguards;
- (3) That all security measures should be co-ordinated and rendered as uniform as possible;
- (4) That the evidence and exhibits accompanying the report be placed before the proper persons in the various departments concerned with a view to evaluation as to what has been compromised. That consideration be given to whether the findings so made may be communicated to the proper authorities in the United Kingdom and the United States;
- (5) That the Official Secrets Act be studied and, if thought advisable, be amended to provide additional safeguards;
- (6) That consideration be given to additional security measures to prevent the infiltration into positions of trust of persons likely to commit acts described in the report;
- (7) That the practice with regard to the issue of Canadian passports be revised.

Section XIV.—*Conclusion.*

The commission consider it of paramount importance that there should be available for all to read as complete an account as possible of the illegal activities which had already so seriously affected, and were designed even more seriously to affect, the safety and interests of Canada.

[W 9887/102/68]

No. 22

*Sir P. Clutterbuck to Viscount Addison.—(Received in Dominions Office
5th October.)*

(No. 219. Saving.)
(Telegraphic.)

Ottawa, 1st October, 1946.

WEEK of the 23rd to the 29th September, 1946.

A.—General.

Labour questions have again been to the fore this week owing to the Annual Conferences of the Trades and Labour Congress and the Canadian Congress of Labour. The national officers of the Steelworkers' Union have recommended that the local unions should accept the conditions now offered by the Government Controller. This is generally viewed as virtually the end of the steel strike. The Government has announced that the producers' subsidy on milk will be discontinued on the 30th September. The visits of the Chancellor of the Exchequer and the Secretary of State for Dominion Affairs have been widely and favourably reviewed.

B.—Domestic.

(1) *T.L.C. and C.C.L. Conventions.*

With industrial strife seriously crippling Canadian industry at the moment it is natural that more attention than usual has been focused on the deliberations of the two major labour organisations in Canada, the Trades and Labour Congress and the Canadian Congress of Labour which have held their annual conventions during the past week. It may be of interest to record that two Cabinet Ministers, Mr. Howe and Mr. Mitchell, addressed the T.L.C. convention, although their statements were only in general terms.

It is noteworthy that different attitudes were adopted by the two organisations as regards relationship with political parties. The Trades and Labour Congress rejected a resolution recommending that members of the Communist Party should be barred from executive positions in unions on the grounds that the Communist (Labour Progressive) Party in Canada was seeking by every means in its power to dominate the unions and union policy in its own interests and not in the interest of labour. Final opposition to the resolution was based on the principle that "the political opinions of members of unions affiliated with the Congress are the business of the Unions concerned."

The Canadian Congress of Labour, on the other hand, has again associated itself with a particular political party. After a two-day debate on the political action programme of the congress, the C.C.F. Party won, by an overwhelming majority, continued recognition as "the political arm of labour." It was emphasised that approval of the "political action programme" did not compel any member of any union to support or vote for the C.C.F. in elections but that it merely recognised the C.C.F. Party as the one political party willing to carry out a labour programme as it was the only party which fully endorsed C.C.L.'s 19-point programme. In spite of the fact that this action might well be regarded as a victory over the Communist elements it has been attacked also by the Conservative press. The *Ottawa Journal* has said that "no trades union movement can sensibly or logically get tied up with a party." This paper points out that the trades unions might themselves form a distinctive labour party, but says that any affiliation with a separate political group will only lead to loss of independence and internal divisions.

Both conventions criticised the action of the Federal Government in passing the Order in Council providing for a Government-conducted strike ballot amongst employees. The Trades and Labour Congress saw it "as a crowning effort to apply a policy which has placed all confidence in anti-labour employers, while questioning the sincerity and goodwill of organised workers." The Canadian Congress of Labour was equally outspoken in criticising the Order in Council, which was referred to by union leaders as "a dagger aimed at the heart of labour" and "the most vicious piece of legislation ever brought in."

(2) *Steel Strike.*

The officers of the national negotiating committee of the United Steelworkers of America have recommended that the unions in Hamilton, Sydney and Sault Ste. Marie should accept a return-to-work proposal negotiated between the

Government Controller of the Steel Companies and C. H. Millard, the Canadian director of the United Steelworkers of America. It is understood that the proposal would grant the workers a 10-cent-an-hour wage increase retroactive to the 1st April, another 3-cent-per-hour increase when work is resumed and also payment for the seven statutory holidays. It seems likely that balloting will take place during the next few days.

(3) *Alberta Farmers' Strike.*

The Government has rejected the demand of the striking Alberta farmers for a fact-finding board on parity prices on the grounds that the Agricultural Prices Support Board already exists for this purpose. The president of the Alberta Farmers' Union has announced that the union will "take no immediate action" on the Government's request that they should lay their complaints before this board.

C.—*Foreign Affairs.*

Stalin's statement that he saw no real danger of war and that the U.S.S.R. and the Western Provinces could collaborate was headlined in all papers, but public opinion is not prepared to accept it at its face-value and editorials generally have taken the line that deeds must back Stalin's words. Considerable prominence has also been given to King George's return to Greece and to Soviet demands from Turkey.

D.—*Visits.*

The Secretary of State for Dominion Affairs, the Chancellor of the Exchequer and the Minister of Labour have been referred to in the *Gazette* of Montreal as "top interpreters of Britain." Meetings and press conferences have been well reviewed and editorials for the most part have been extremely warm in tone.

An article in the *Gazette* of Montreal remarks that the recent series of visits by Ministers from Canada to the United Kingdom and *vice versa* has given rise to speculation that "the peace-time co-operation between the Labour Government in London and the Liberal Government in Ottawa is becoming closer" than ever before. The article adds that some people consider that this indicates a shift in Canadian foreign affairs further away from the United States and closer to the United Kingdom.

[W 11802/102/68]

No. 23

Sir P. Clutterbuck to Viscount Addison. (Received 18th November)

(No. 442)

My Lord,

Ottawa, 9th November, 1946

I HAVE the honour to report that three by-elections have recently been held in various parts of the country, at Pontiac, Quebec; Toronto-Parkdale, Ontario; and Portage La Prairie, Manitoba. In no case was the Government candidate successful and this has led to growing comment that the Government is losing support. Closer examination, however, does not necessarily bear out this conclusion.

2. In the first place, in each of the by-elections the vote was split and the winning vote for each was a minority of the total votes cast. Secondly, both the Ontario and Manitoba seats were traditionally Conservative, though the latter had been held since 1935 by a strong Liberal candidate. Thirdly, the Liberal Party was, in fact, the runner-up in each of the three elections, and was only slightly behind in each case.

3. All, indeed, that can safely be deduced is that these by-elections, occurring during the transition from a war-time to a peace economy when inevitable delays, restrictions, maladjustments and economic upsets are beginning to over-tax the patience of the ordinary voter, provided a convenient opportunity for the average man, with no strong party affiliation, to voice his discontent with the present order of things. There has been much comment on the fact that the loss of two seats will reduce still further the Government's slender majority and render their position precarious. In fact, at the present moment (with one by-election still pending due to the death of Mr. Cardin, the prominent Quebec Liberal leader), the Government now hold 125 seats in a House of 245, which would give them a

majority of only 6 over all other parties combined. But, in fact, the Government can normally count on support from at least 10 Independents in any case, and there is little likelihood of the two main Opposition parties, Conservative and C.C.F., combining on any major issue. Indeed, there is no evidence that the Conservatives have any prospects of winning a victory in a general election in the near future and the prospects of the C.C.F. Party are even slimmer. On the other hand, it is hardly surprising that fears are now being expressed that the Government can afford even less than before to take a bold stand on controversial national issues and that the Prime Minister, at the mercy of "splinter groups" for support in emergencies, may come to resort more than ever to compromise in order to retain support for his Administration.

4. I am sending a copy of this despatch to the United Kingdom Ambassador at Washington and to the United Kingdom representatives at other Dominion posts.

I have, &c.

P. A. CLUTTERBUCK.

W 12341/102/68

No. 24

TOUR OF WESTERN CANADA

*Sir P. Clutterbuck to Viscount Addison. (Received in Dominions Office
18th November)*

(No. 443. Confidential)

My Lord, *Ottawa, 9th November, 1946*

I have the honour to report that I returned to Ottawa on 30th October on completion of a tour of Western Canada, during which I visited Calgary, Banff, Vancouver, Victoria, Jasper, Edmonton, Saskatoon, Regina and Winnipeg, returning thence via Toronto. I spoke to the Canadian Clubs at all these places except Jasper (where there is no such club) and Regina, where I spoke at a luncheon given for me by the Lieutenant-Governor of Saskatchewan. I also addressed the Women's Canadian Clubs at Vancouver (audience approximately 1,000) and Winnipeg, where the hall was filled to capacity (about 350) and late arrivals had to be turned away. While at Victoria I visited the Fairbridge Farm School and the naval base at Esquimalt, where I formally presented to H.M.C.S. *Uganda* the two flags which have been given to the ship by the Government and people of Uganda. At Toronto, in addition to addressing the Canadian Club, I spoke at a special luncheon arranged for me by the Empire Section of the Toronto Board of Trade.

2. The tour, which lasted twenty-four days, was thus a very full one. I was accompanied throughout by my wife, and also by my daughter and my niece. Mr. Sykes came with us and acted as my secretary until we reached Winnipeg, and Mr. Tory took his place at Toronto. A copy of our itinerary, giving details of our programme at each place, is attached.⁽¹⁾ We

received everywhere a most cordial, indeed enthusiastic welcome, and were overwhelmed by offers of hospitality of all kinds. I am forwarding, under separate cover, a selection of press cuttings indicating local reactions to our visit. At Winnipeg and Toronto I received great assistance from His Majesty's Trade Commissioners at those places; at Vancouver, the Trade Commissioner was away, but Mr. Trevor, the Market Officer, was very helpful to us. The Canadian Pacific Railway gave us a private coach on the outward journey, and the Canadian National Railways, to which we transferred at Vancouver, also placed a coach at our disposal. We made it a practice, however, to stay at a hotel in each of the places we visited in order that we might see and talk to as many people as possible. We were entertained by the Lieutenant-Governors in each province, and each of the Provincial Governments went out of their way to pay us special attention. The Lieutenant-Governors of British Columbia, Alberta and Manitoba attended the Canadian Club luncheons at which I spoke, and, notwithstanding that I had already spoken at Victoria, a member of the British Columbia Government flew specially to Vancouver in order to represent the Government when I spoke to the Canadian Club there. The Premier of Alberta, in addition to attending the Canadian Club luncheon, gave a special reception for me; the Premiers of Saskatchewan and Manitoba were unfortunately both away, but the

⁽¹⁾ Not printed.

Acting Premiers did all they could for us; and in Toronto the Premier made a point of giving me part of his day and hearing me speak.

3. I enclose a note⁽¹⁾ giving some brief comments on what I saw and heard during my tour. Two main impressions stand out, the prosperity of the West and the spirit of vitality and confidence manifest everywhere, and the deep devotion of the people to Britain and their anxious solicitude for her recovery and for an end of the present shortages there. Conditions throughout the West are booming, there is much dammed-up purchasing power, the farmers have never been better off, lumber has never been in greater demand, the war and the aeroplane have put the North on the map, and everyone is convinced that theirs is the "up and coming" part of the country and is looking forward to a great future with almost limitless possibilities. This feeling is, perhaps, less pronounced in Manitoba than further West; indeed, it seemed to me that the barometer of confidence and enthusiasm rises progressively as one travels westward from Winnipeg, to reach its highest point at the Pacific Coast. Vancouver at the present time is literally "bubbling over." Its population has increased since 1939 from 250,000 to 330,000 and is still growing, and it is now the third largest city in Canada. It is immensely proud of itself, its situation and climate, its harbour and its amenities, and everywhere there are new developments and almost feverish activity. The population of Winnipeg, on the other hand, has remained static, and while life there has a rhythm of its own, its tempo is much slower. In the prairie provinces generally, farmers have made so much money in recent years that they have paid off all their mortgages, and they have now fully recovered from the grim ordeal which they went through in the thirties. Although much of the population of the West came originally from the East, the East is looked down upon and is the subject of much good-humoured banter. There is everywhere the feeling that not only is life in the West much more spacious and enjoyable, but that everyone there is helping to build a new country which, with its vast natural resources, is bound in the final result to overshadow the rest of Canada.

4. As for the devotion of the people to Britain, this is so manifest that the visitor cannot help being deeply moved and impressed by it. There appears to be a far more lively appreciation in the West than in central Canada of all that the average

family has gone through at home over the last six years, and of the shortages and the gruelling conditions with which they still have to contend; and also a far keener and almost shamefaced realisation that, by comparison, Canada as a country has hardly suffered at all. Many Westerners are, of course, in close and continuous touch with relatives and friends at home, whose welfare is of acute personal concern to them; others have "adopted" families in the United Kingdom; and all alike not only send regular parcels but are constantly seeking new ways in which to assist. People give up coupons, new funds are continually being opened and new collections made. This anxious solicitude for the people of Britain, individually and collectively, runs right through Western Canada. Everywhere I went, the first question I was asked was: "What can we do to help, and what is the best thing to send?" But allied to this concern on the personal and human side is a deep concern for the welfare of Britain as a nation. I do not think that trade considerations, while naturally not absent, were a dominant factor in this. On the contrary, there is, I believe, a firm belief that Britain alone is sufficiently adult politically to give the world the lead that is needed in these critical days and a deep longing to see her regain the strength and influence demanded by her key position in international affairs. The United States is mistrusted, sometimes indeed pitied, rather than feared. I was warned before starting that I might find in Vancouver a strong body of opinion in favour of amalgamation with the United States. I can only say that I found no trace of any such sentiments—indeed, all the evidence that came my way pointed strongly in the opposite direction. While there continue to be, as always, very close relations with the neighbouring States of Washington and Oregon, and particularly with Seattle and Portland, conditions, both economic and political, in the United States seemed to be regarded as so unstable and unsatisfactory as to repel rather than attract; indeed, it was pointed out to me with some pride that there is now a tendency for Americans, particularly those retired from business, to come north and settle in Vancouver and so escape into a more orderly world. At Winnipeg again it was impressed on me that the British outlook, the British system of government and the British way of life are recognised as a heritage which lies at the very core of the national make-up and for the loss of which nothing, not even the most glowing economic advantages, could

(1) Not printed.

compensate. I fully recognise that on a necessarily short and hurried visit of this kind I could only, as it were, skim the surface of opinion, and that there may well be qualifications which should be added. But subject to this, it was my clear impression that, while great stress is naturally laid on Canada's free and sovereign status as an equal partner in the Commonwealth, continued association with Britain, with her great experience and long

traditions, is regarded as demanded not merely by sentiment but by the best interests of Canadian nationhood; and it was, indeed, very refreshing to find throughout the West such eagerness for news of Britain's progress, such warmth of feeling for her people and so keen a desire to assist to the utmost towards her speedy recovery from the trials of war.

I have, &c.

P. A. CLUTTERBUCK.

W 48/13/68

No. 25

BANQUET FOR SECRETARY OF STATE FOR EXTERNAL AFFAIRS

Cloak for Liberal Party Demonstration

*Sir P. Clutterbuck to Viscount Addison. (Received in Dominions Office
16th December)*

(No. 469)

My Lord, Ottawa, 6th December, 1946

I have the honour to report that a dinner in honour of Mr. St. Laurent, the Secretary of State for External Affairs and Minister of Justice,⁽¹⁾ was given in Quebec City on 29th November. This may seem an unimportant occasion in itself, but it was used by the Liberal Party for the purpose of staging a carefully organised demonstration. The Prime Minister and all his colleagues in the Cabinet—with the single exception of Mr. Martin, who is at the United Nations Assembly in New York—attended, there was a very large gathering of the faithful and every device was employed to ensure full publicity for the occasion. The event occurred on a Friday, but difficulty over the menu was happily overcome by a special dispensation from the Cardinal for permission to eat red meat, even so, sufficient quantities of meat were only provided by recourse to the special machinery of the Wartime Prices and Trade Board.

2. It was an open secret that the banquet had two main purposes. The first was to persuade Mr. St. Laurent to remain in the Cabinet. The second was to rally support for the Liberal Party in Quebec. Mr. St. Laurent, with little previous political experience, had joined the Cabinet five years ago with the intention of serving for the duration of the war only. He enjoyed a lucrative practice as a lawyer previously and has made no secret of the fact that he wishes to return to private life. But

during his membership in the Cabinet his reputation has gone from strength to strength, and it is no exaggeration to say that the mantle of Mr. Lapointe has fallen fully on his shoulders, and that there is no one else who is likely to be so effective a leader of the French Canadian element in the Liberal Party. As regards the second point, the doldrums into which the Liberal Party have drifted were described in my despatch No. 442 of 9th November, and it is becoming increasingly important for the party to retain their control of Quebec, from which they have hitherto enjoyed such solid support. A by-election is due to be held at Richelieu-Verchères on 23rd December, and great importance is attached to the Liberal Party securing a resounding victory.⁽²⁾ There is little doubt that they will win the seat, but in view of their earlier reverses it is felt that they must win it by a handsome majority to save their reputation.

3. It should, perhaps, be made clear that there has been no suggestion that the dinner was staged with the object of presenting Mr. St. Laurent as Mr. King's successor. Indeed, there has been a falling off in speculation on this subject recently, partly, no doubt, because at a recent press conference the Prime Minister appeared to indicate that he was reconsidering his previously announced decision not to lead the party at the next election. The present situation has not unfairly been summed up by *Saturday Night* in the words "From the many shrewd editorials in recent weeks

⁽¹⁾ Note by Dominions Office. Mr. St. Laurent has since relinquished the office of Minister of Justice and is remaining in Mr. Mackenzie King's reconstituted Cabinet as Minister for External Affairs.

⁽²⁾ In the Richelieu-Verchères by-election the Liberal candidate was returned by a substantial majority.

concerning Mr. Mackenzie King's future, it seems fairly certain that the Prime Minister is bound to make a decision sooner or later on whether or not he will accept office for another term!" In fact at the dinner in Quebec, Mr. King again complained that there was too much talk about who was to lead the party at the next election.

4. In his speech at the dinner, Mr. King made it only too clear that the two purposes suggested above were fully in his mind. He paid a very warm tribute to Mr. St. Laurent "as a truly great man" for his services in the Cabinet and expressed the hope that he would find it possible yet for some time to continue to "give the country in its Parliament, and to the world in the arena of international affairs, the benefit of his exceptional talents and his very great wisdom and experience." The Prime Minister was equally frank about the failures of the Liberal Party in recent by-elections, and he said: "We would all be much happier if the party had not lost Pontiac and Portage La Prairie. We should have carried both. We would have carried both had the party's organisation been what it should have been." He was not, he said, going to apportion blame, but to issue a "clarion call" to each and every member of the party to realise that

the fate of the party, to a greater or lesser extent, lay in his hands.

5. In replying, Mr. St. Laurent spoke frankly of Dominion-Provincial relations and attacked the attitude of Mr. Duplessis, the Premier of Quebec. He asserted that the Federal Government was not attempting to encroach on provincial autonomy and declared that, in spite of all the wordy declarations of Mr. Duplessis, "it has never been possible to obtain from him the slightest precise indication as to what conditions he might find acceptable" as a basis for a financial agreement with the Federal Government.

6. The tributes to Mr. St. Laurent personally have generally been re-echoed throughout Canada, but, not unnaturally, the Opposition have not lost the opportunity of poking some fun at the dinner. Thus the *Ottawa Journal* in an editorial entitled "Mr. King's Loud Reticences" says that reading Mr. King's speech one concludes that Mr. St. Laurent "is a combination of Lincoln, Sir Wilfrid Laurier and St. Francis of Assisi, with Blackstone, Aristotle and Sir Galahad thrown in for good measure," and adds: "Yet, in the end, we learn that the true secret of Mr. St. Laurent's greatness is that he stayed by Mr. King."

I have, &c.

P. A. CLUTTERBUCK.

CHAPTER III.—EIRE

[W 7188/1350/68]

No. 26

Sir J. Massey to Viscount Addison.—(Received in Dominions Office 10th July.)

(No. 4. Opdom. Saving.)

Dublin, 8th July, 1946.

PERIOD the 7th June to the 7th July, 1946.

A.—General.

The principal event in June was the return of the Government's Party candidate by a substantial majority in the Cork by-election. This was generally regarded as an endorsement of the Government's recent firm stand against I.R.A. activities. The daily proceedings of the *ad hoc* tribunal appointed to investigate charges against the Parliamentary Secretary to the Ministry of Health and Local Government were reported at great length in the press and were a subject of much local interest and comment.

Eire's constitutional status was again debated at length in the Dail but nothing very new was said, Mr. de Valera paid a tribute in the Dail to Great Britain's self-denying attitude with regard to food for Europe. The local press maintains that no useful purpose would be served by rationing bread in Eire.

B.—External.

(i) *Eire Aid to Europe.*

(a) On the 19th June the Dail voted £1,750,000 for the alleviation of distress in Europe. Replying to the debate Mr. de Valera stated:—

“As far as England is concerned, it is a matter that everybody must regard as wonderful the way in which the British are denying themselves to see that more supplies will be available for Europe. . . . Our supplies are available for Britain in the first instance and it is very difficult to know what more we can do in the way of helping.”

(b) A team from the Irish Red Cross has been visiting Warsaw, with a view to arranging for the installation of an Irish Red Cross Hospital there in the autumn.

(ii) *German Children.*

Arrangements are continuing for bringing 600 European children to Eire under the auspices of the Irish Red Cross, acting for the Eire Government, and of the “Save the German Children Society” which is now being subjected to a measure of local official control.

(iii) *Irish Labour for France.*

Following on French statements as to openings for heavy workers and artisans in France, some 2,000 men are reported to have applied to the French Legation for information or facilities in this connexion. No appreciable movement of workers to France appears, however, to have taken place as yet and some doubts are expressed as to the practicability of any such scheme.

C.—Internal.

(i) *The Cork By-election.*

Mr. Patrick McGrath, Fianna Fail, was returned by a majority of 4,667 over his nearest rival Mr. Michael O'Briscoll, of Fine Gael, at the Cork by-election held on the 14th June. This result brings the strength of the Government party in the Dail up to 78 as compared with a total strength of 60 among the much-divided other parties. The Government speakers had concentrated on the Government's policy in relation to the recent I.R.A. agitation and, by implication, on their action in letting an I.R.A. man (McCaughy) die on hunger-strike in an Eire prison. The result was thus regarded as an important endorsement of the Government's firm policy in relation to the I.R.A.

(ii) *The Ward Enquiry.*

The tribunal appointed to enquire into financial and black market charges against Dr. Ward, the Parliamentary Secretary to the Department of Health and Local Government (see Opdom No. 3, paragraph 2 (v)), began sitting on the 24th June. The newspapers are giving five or six columns a day to its proceedings, every word of which is read by those in the local political world. The case seems to involve a quarrel between individuals in Monaghan, all of whom have hitherto managed to do well out of the present system in Eire. Whilst his enemies argue that the case is typical of a corruption which is rife throughout the country, Mr. de Valera can maintain that directly there was any suggestion of such practices, he appointed a tribunal to investigate the matter.

(iii) *Eire's Constitutional Status.*

The debate in the Dail on the 19th June on the External Affairs vote dealt once again and at length with Eire's constitutional position. Much was made by the Opposition of the apparent conflict between the signature by His Majesty of letters of credence for Eire diplomatic representatives abroad, and Mr. O'Kelly's recent and apparently unauthorised public statement that he is the President of the Irish Republic. In reply, Mr. de Valera restated his familiar doctrine of external association dependent on an Act which can be repealed at will by Eire. There was some Opposition criticism of the Government's failure to give sufficient weight to Eire's economic interests in considering its attitude to the Commonwealth connexion.

(iv) *Strikes.*

Dublin dock workers struck on the 27th June. The press reports that they are claiming the fortnight's paid holiday which is granted to other workers at the docks. Almost all cross-channel cargoes passing through Dublin are held up.

The Dublin school-teachers' strike is now in its sixteenth week. Some 80,000 children are affected by the strike of 1,300 teachers. With the approach of school holidays, it is now suggested that no settlement is likely till the autumn at earliest. A strike of dissatisfied Aer Lingus aircraft maintenance workers at Collinstown was narrowly averted on the 4th July.

(v) *Roman Catholic Primate.*

Dr. D'Alton, the newly-consecrated Archbishop of Armagh and Primate of All Ireland, was enthroned in his cathedral at Armagh on the 13th June in succession to Cardinal McRory. He made on this occasion a plea for the abolition of partition.

(vi) *New Political Party.*

A new Republican political party, which announces that it will contest Dail and other local elections, has been launched as the result of meetings on the 9th June at the fourth annual convention of the Old Comrades, I.R.A., and on the 6th July in Dublin. Well-known I.R.A. leaders, including Mr. Sean MacBride, are reported as being included in the provisional executive which announces its intention to take constitutional action.

(vii) *Naval Visit.*

H.M.S. *Orrell* and five M.T.Bs. arrived at Cork on a four days' visit on the 7th July. Entertainments for officers and men are being arranged by the Eire authorities.

(viii) *Eire Naval Forces.*

The name of the Irish Marine Service is to be changed to that of Naval Service and that of the Maritime Inscription to Naval Service Reserve. Arrangements are in hand to secure the services of a retired officer from the Royal Navy to take command of the Naval Service.

(ix) *Centenaries.*

Nationalist centenary celebrations, with the usual trappings, have taken place in respect of the births of Michael Davitt, the founder of the Land League, and Charles Stewart Parnell. Between 10,000 and 15,000 people are reported to have attended the ceremonies at Straide, Davitt's birthplace in Co. Mayo, and a large number were present at Avondale, Parnell's birthplace in Co. Wicklow. Mr. de Valera addressed both gatherings at length.

(x) *Visitors.*

Large numbers of visitors continue to arrive in Eire and accommodation in Dublin and most holiday resorts are more than full. A considerable proportion of these visitors are Irish people on holiday. Public opinion, however, tends to assume that all the visitors are British or from Northern Ireland and to ascribe any new shortages or increases of prices to them. Criticism by British visitors regarding the authorities or conditions in Great Britain is repeated with pleasure and embellishments by anti-British elements.

Attention is drawn to the particularly Secret nature of this document.

[W 8739/1350/68]

No. 27

IRISH BACKGROUND.

Note by Sir J. Maffey, United Kingdom Representative to Eire.

AN analysis of Eire's position to-day requires some comment by way of introduction. It is obvious that Mr. de Valera's stiffly-held policy of neutrality has had a permanent effect on the relationship of Eire with the United Kingdom and the British Commonwealth. Had the war gone badly for us there would have been an enduring resentment against Eire beyond all power of healing. We came through, and we came through without any help from Eire. The new relationship which springs from this significant chapter of Anglo-Irish history might at first sight appear to suggest nothing but regret and pessimism. In reality it is not so. For many generations the slogan of Irish patriotism has been "England's difficulty is Ireland's opportunity." This time that slogan was not heard. It was replaced by a milder version—"England's difficulty is none of Ireland's business." This was something new. It was very far from satisfying our hopes. In the moral plane it brought loss both to the Commonwealth and to Eire, but in practice it proved to be not so sterile as seemed likely. Certain important benefits accrued to us from it during the course of the war, but owing to lively resentment on the British side and to censorship on the Irish side the true position has not been appreciated.

Leaving aside the difficulty about the ports—a difficulty which we created ourselves and which at one time threatened disaster—the history of Irish neutrality is far from being a black record. For the first time in history the British Cabinet have been able to conduct a long war without any anxiety about Ireland. Compare the war of 1914–18, when Ireland was still in the United Kingdom. We had to keep a big garrison in Ireland. We had to suppress a rebellion. We suffered deep humiliation. German intrigue was rampant. Roger Casement was landed by a German submarine. The full story of espionage and submarine links has never been fully told.

The fact that we have fared better this time in such matters is not because the Eire Government was friendly, but because the Eire Government was neutral and was never allowed to forget for one instant that Eire's immunity could not last a day if she became a base for German intrigue. Consequently, when any German activity developed we were promptly informed and all relevant material was handed over to us. Gradually a certain geographical interpretation of neutrality was developed. We procured the non-internment of our R.A.F. personnel. That was a stiff fence, but we got over it. Assistance from the Eire Government included rigid surveillance of the German Legation, the impounding of their wireless transmitter and close understanding with the British Intelligence Service. In this underground of espionage and intrigue a British authority in Ireland could never achieve what was achieved by a native authority.

Meanwhile, we got recruits, labourers and supplies from Eire, not from any motive or policy of friendship, but from the operation of commonsense and self-interest.

The war and its aftermath have introduced some new and significant factors altering the old relationship between Eire and the United Kingdom. Eire now has liquid sterling assets estimated at well over £400 million, of which some £100–£150 million have been accumulated since the war began. The financial, industrial and commercial interlocking of interests caused by this new development is inescapable and the practical arguments for smooth neighbourly relations are obvious.

In a very different sphere of action a new factor has been introduced by Eire's sudden and dramatic decision to join U.N.O. This is a portent which must directly affect the future course of Anglo-Irish relations. We have been exposed for many generations to humiliation from a series of Anglo-Irish brawls in all of which we have lost credit with the world at large. There is every reason to fear that we may be exposed to this again owing to the growing agitation on the Partition issue, and its effect on the minds of the new generation of Irishmen indoctrinated with hatred and false history. Traditionally it has been the Irish technique to put us in the wrong by forcing us into strong action and by building up the legend of patriot martyrs. No Irish issue is counted as "justiciable," everything is wrapped up in passion and hysteria. There was, and is, a danger of this method being applied to the Partition question. There have been unmistakable indications of it during the war years. But as a member of U.N.O. and particularly as a member with a neutral record, Eire would have to adapt her tactics to a new situation. The narrow anti-British Gaelic tendencies which have shaped public emotions in Eire will, it may be hoped, not find the traditional outlet suggested in the pamphlet *Orange Terror* posted from here in 1943 to any address in the world for 2s. 6d.

There should be nothing but relief on our side if the issue of Partition were taken away from fanatics and partisans and examined in a judicial atmosphere. A similar relief would not be universally felt in Eire where the extremist would feel that he is losing his best war-cry and his fiery cross. He is probably not wrong in suspecting that the U.N.O. umbrella may in practice be a British umbrella so far as Eire is concerned. In a recent *Sunday Independent* (28th July, 1946) there is a long diatribe by Mr. J. J. Walsh, one of the richest and most successful industrialists of Dublin, a man who hoped for a German victory and whose antipathy towards Britain also embraces U.N.O. if Britain is in U.N.O. There will be many who agree with him. He writes:—

"In the late war we had the common sense to take a back seat and watch other fellows kill each other. All the world over we are now being applauded on our neutrality. We are still a partitioned country. It will be soon enough for us to decide on matters concerning other people when our own troubles are finished with. In any case why should we worry ourselves about the ills of mankind. We stood on our own legs and won, and we can do so again, &c."

Mr. J. J. Walsh held office as a Minister in the Eire Government up to 1927.

At least it can be said of Mr. de Valera—and this is the place to say it—that he is not anti-British and that there was no doubt of his wish to see Hitler defeated. Mr. de Valera is the slave of his own past. He must prove to his countrymen that by drawing the sword in the fratricidal war of 1922 he won a measure of independence for his country which Cosgrave and the Fine Gael party had failed to achieve when they accepted the Treaty of 1921. Neutrality was proof positive to Ireland, England and the world at large that independence was real and that no loyalty was due as of right to an English cause. Having established that fact he might no doubt have moved gradually into the Allied camp, particularly after America entered the war, but by that time the men and women of Ireland had realised that neutrality was saving them from the horrors of Hitler's war. Wild horses and brass bands would not have got them into it. Even so Mr. de Valera might have made it plain on which side his sympathies lay, but with his mathematical mind he administered neutrality with mathematical precision in all his public pronouncements, though, as stated above, it was mitigated in our favour in practice. He has repudiated, and will always repudiate, any suggestion that the services of Irishmen in the Allied forces can now be counted unto him and his Government for righteousness. The claims on this score now so loudly trumpeted are embarrassing to him. He states plainly: "This was not our victory and we had no part in it." In order that there should be no doubt of this on the record, in order that there should be no suggestion that at the eleventh hour he made a step towards the Allied band-waggon, he used the eleventh hour for a very different purpose, namely, to call on the German Minister formally to express condolences on the death of Hitler. However, when the account comes to be made up there will be found some grounds for maintaining the view that England was lucky to have, in this excitable country during these dangerous years, a man whom Irishmen trusted, who knew how best to navigate the ship through the storm, who has been careful not to break the tenuous links with the British Commonwealth, and who at the end could carry support for his country's application to enter U.N.O. by the unanimous vote of all parties in the

Assembly. There is room for hope that Eire will quietly discard the bitter dictum of Arthur Griffith, who, when asked to define the foreign policy of his country, said, "Find out on which side the English stand. Ireland will be found on the other side."

The Position of Eire To-day.

Eire's declaration of neutrality during the war can only be explained against the historical background of the events which led up to this attitude.

The civil war in Ireland (1922), which broke out after the signing of the treaty of 1921, was the handiwork of Mr. de Valera. After a bitter struggle the "Treatyites," or Fine Gael Party, gained the upper hand and conducted the affairs of the Irish Free State till 1932. This Government, conscious of the economic interdependence of Eire and Great Britain, concentrated on the development of close economic co-operation with the British Commonwealth. They did not, however, co-operate politically to any great extent with the United Kingdom.

At the elections of 1932, during the world depression, Mr. de Valera's Fianna Fail Party, which until 1927 had refused to recognise the legality of the Cosgrave Government, was returned at the top of the poll. Its chief objection to the legality of the Cosgrave Government had been that under the Constitution of 1921 every member of the Dail was required to take an oath of allegiance to The King; this Fianna Fail refused to do until 1927, and refused also to admit that any Government composed of men who took this oath had any legal standing. In 1932 Mr. de Valera's first action was the introduction of a Bill to remove the oath from the Constitution. During the following years Mr. de Valera, by rapid unilateral steps, abolished further provisions of the Constitution which provided for certain United Kingdom control of aspects of Free State affairs. The right of appeal to the Privy Council was abolished, the office of Governor-General was deprived of authority and dignity, that part of the treaty which laid down that subsequent laws of the Free State which conflicted with its text were illegal was also abolished, an Irish Nationality and Citizenship Bill was introduced. In 1936 the abdication crisis afforded Mr. de Valera the opportunity totally to extinguish the office of Governor-General, to bring to an end the Royal assent to Bills passed by the Dail and to deprive the State of all the symbols of the monarchy which he retained only for certain limited and formal purposes in the field of external relations. Next year a new Irish Constitution was made the subject of a plebiscite. Among other provisions the Constitution replaced the Governor-General by a President elected by universal suffrage, defined the special position of the Roman Catholic Church as the guardian of the faith professed by the great majority of the citizens, introduced "Eire" as the new name of the State, and in general enshrined the political philosophy of Fianna Fail in a durable form. The Constitution was clearly designed for the whole of Ireland, if and when the island came to be reunited. This Constitution was accepted by the people of Eire. In a statement issued after its proclamation, the Government of the United Kingdom stated that, with the agreement of the Dominions, they would regard the new Constitution as not effecting a fundamental alteration in the position of Eire. The Government of Eire acknowledge no allegiance to the Crown and do not accept the concept of "Dominion status." They consider that Eire is a republic, "externally associated" with the British Commonwealth.

Side by side with the breaking of the political links binding the Irish Free State to the United Kingdom went the so-called "economic war." In 1932 the Fianna Fail Government refused to pay certain land annuities which, although not mentioned in the treaty, had been paid to Great Britain by the Cosgrave Government. In order to collect the sums owing, the British Government imposed heavy tariffs on Irish agricultural produce coming into the United Kingdom. In reply, the Irish Government imposed tariffs against British-manufactured goods. In compensation for the heavy shrinkage in trade, Eire strenuously sought foreign markets for her exports, even on disadvantageous terms, and a programme of industrialisation was initiated in order to reduce her dependence on "foreign" manufactured goods. But, with few exceptions, these attempts to free the country from economic dependence on Great Britain met with very little success, and in 1938 the economic war was ended by an agreement which provided for a large reduction in the tariffs of both sides.

An integral part of the 1938 agreement was the provision for the handing back to Eire of the Irish ports, the use of which Great Britain had retained under the treaty of 1921. The Fianna Fail Party was insistently demanding their return, and Mr. de Valera had pointed out since his accession to office that Eire would be unable to remain neutral in a European conflict if the ports were

in British control. He had, however, already (in 1935) given a public assurance that Eire territory would never be used as a base for attacks on Great Britain.

Mr. de Valera gave several warnings of Eire's intention to remain neutral during any war, and his decision to keep Eire out of the 1939 war came therefore as no surprise to those who had followed his public statements. In his speech on the 2nd September, 1939, announcing his Government's decision to remain neutral, Mr. de Valera definitely linked this decision with Irish resentment against the partition dividing Northern Ireland and Eire, the so-called "mutilation of the Motherland."

The Religious Factor.

The position of the Roman Catholic religion in this country is a factor of great importance. Perhaps in no other country in the world is the influence of the Church so strong. This is due partly to the constitution of the Irish mind and partly to the fact that under British rule the priests shared the misfortunes of the Irish native population. In consequence the Church did not, as happened in most other countries of Europe, become identified in the eyes of the common man with property, class distinction and reaction. The Church has therefore retained the loyalty of the common man to an extent almost unknown elsewhere. The Church was a powerful factor in retaining the attachment of Irish emigrants to their mother country and to their mother country's grievances. It was also a powerful factor in maintaining the solidarity of the Irish people against the mainly Protestant ascendancy. These two functions of the Church still exist to-day. The newspapers give prominence to speeches by priests and bishops exhorting children to learn Irish, to play Irish games and to abhor the foxtrot. Irish bishops fulminate against the Partition of Ireland and Irish priests, especially in the United States, frequently take an anti-British line.

Eire Since the War.

During that period of the war when an Allied victory was seen to be inevitable there was some misgiving in Eire about the country's future standing in the world. It was felt that the victorious Allied nations might well cold-shoulder the twenty-six counties and keep them short of the various supplies and raw materials which would be necessary to restore the country's economy. Strenuous efforts have therefore been made to avoid political and economic ostracism.

Eire has put herself on the "world map" in the following ways:—

- (a) She has enhanced her diplomatic relations abroad by appointing her first ambassador (to the Vatican) and by exchanging representatives with Sweden and Australia.
- (b) She has made some propaganda out of her gifts of food, blankets, &c., to the International Red Cross for relief in Europe and has arranged to set up Irish hospitals in France and Poland. She has received, or expressed willingness to receive, a number of French, Dutch, Polish and German children.
- (c) She has made use of her position as the most westerly point of Europe to enter the field of civil aviation and plans to develop the airport at Foynes and Rineanna as a focal point in the world network of airlines. With some inconsistency America has played the Irish game in this development with scant regard for us.

Eire has also made considerable efforts to gain goodwill in America by generous hospitality to G.I.s on leave here and similar courtesies. The hope is that in this way the diplomatic frictions over her refusal to expel the German and Japanese diplomatic representatives and to show compliance with Allied policy will have no lasting effect.

Eire's fears of ostracism have, in fact, not materialised. The country as a whole is prosperous. Tourists are flocking in from England in search of food, relaxation and good service. Eire's exports of food to the United Kingdom have not yet had to meet outside competition as was feared, and there has been no reluctance on the part of European nations to ask for facilities at Rineanna.

For those who allow themselves to think there is the uncomfortable thought that they had an easy ride in the war and "ratted" on their club. But conscience is easily soothed by the argument that, but for the wrong of partition, all Irishmen would have leapt to arms. And there is always the comfortable

reflection that they suffered less in the war than any other European people, a reward specially reserved for saints, and not vouchsafed to sinners.

In these circumstances it would be hard to point to any definite political advantage that Eire might fail to reap if she adopted a policy of increasing detachment from the United Kingdom, provided that she was reconciled to partition. From the point of view of Western European defence, she would safeguard her own interests equally well under a Western European regional security system, and the Government would not thereby give any ground to anti-British enthusiasts. Political factors seem to have little influence over Anglo-Irish trade. This has flourished as a consequence of undeniable geographical and economic factors which outweigh political measures.

There are, however, two factors marring the picture of an easy future for Eire. The first is Eire's relationship, not with the United Kingdom, but with the British Commonwealth as a whole. The rights of a "British subject" to easy entry into the Dominions and the United Kingdom, and Imperial trade preferences mean a lot to the people of this country. Nearly every family has at least one member who has emigrated to the United Kingdom or to a Dominion, and Eire's imports of essential food from Canada, especially of wheat, have an important influence on the cost of living here. If Eire formally quitted the British Commonwealth it would be hard for her to dispose of her annual emigration of approximately 20,000 souls, and sooner or later her trade would be disadvantageously affected by the loss of Imperial preferences.

The second factor is partition. To explore thoroughly the roots of this problem demands more space than is available here. Partition is a first-class political grievance—the type of "wrong" dear to the heart of the Irishman, and the dearer perhaps because it is not only apparently the last of those "wrongs" to which so many in Eire public life have owed their livelihood since 1921, but also a convenient shield against those awkward questions regarding slums, standards of living, social insurance, &c., with which the Governments of unpartitioned countries are plagued. No definite alternative to the present compromise between the conflicting interests involved is put forward by the anti-Partitionists. But Mr. de Valera has made it clear that partition is to him the outstanding obstacle which bars the way to harmonious relations between Eire and Great Britain. The existence of partition is allegedly felt as a political slight upon Eire, as a relic of British domination of the island, and as an intolerable interference in the right of the Irish people to decide their own destiny. It reduces Ireland's dignity in the eyes of the world. It imposes an unnecessary burden on the economic system of the island and it separates from the Catholic majority of the south many of the religious shrines and sacred places of their passionate history. There are many indications that the problem will not be left alone by the Eire Government, even though there are now strong vested interests in Eire which covertly favour the continuance of partition, and the comparative political and religious homogeneity of the twenty-six county Eire would be lost in a thirty-two county Ireland. Anti-partition propaganda is being pressed to the utmost in Eire, in the United Kingdom, in the United States and with some success in relation to almost every visitor to Eire. In the circumstances the question may well come to a violent crisis in the not far distant future. The tradition of the "blood sacrifice" is strong in the Irish character and there are fanatics who believe that some militarily hopeless *coup* in the north by a handful of hotheads in the 1916 manner might have world-wide repercussions of a character gratifying to Eire and humiliating to her traditional enemy. As stated earlier in this note, the proposed accession of Eire to U.N.O. encourages the hope that this issue may be carried out of earshot of the tribal war-drums and examined in a calmer atmosphere.

Political Parties in Eire, Number of Seats held in the Dail, and Party Leaders.

Fianna Fail	...	...	...	78	Mr. de Valera.
Fine Gael	...	...	...	28	General Mulcahy.
Clann na Talmhan	...	...	...	10	Michael Donnellan.
National Labour	...	...	...	4	James Everett.
Labour	...	...	...	8	William Norton.
Independent Farmers	...	...	...	2	...
Independents	...	...	...	8	...
Monetary Reform	...	...	...	1	...
Ailtiri na hAiseirghe	...	...	...	...	G. Cunningham.
Clann na Poblachta	...	...	...	...	Sean MacBride.
					Noel Hartnett.

Eire under self-Government has not proved good soil for the development of a system of Government under alternations of party rule. There are no great parties in the sense of groups representing special interests, *e.g.*, industry, agriculture, capital, and seeking power by putting a party programme before the electorate. There is no unified industrial group. The population of the country is small—under 3 million. The parties seem to differ very little in their human and social make-up. The platform which wins applause is the one which puts out the most violent anti-British ranting. That wins elections, and the Fianna Fail Party have proved best at this and also can claim the best “national record.” Consequently, under Mr. de Valera, who knows well how to sound the authentic note at election times, the Fianna Fail Party has gone steadily on from strength to strength. Nothing succeeds like success, and the coffers of the Fianna Fail Party are full to overflowing to-day. A donation to them is a good bet, or at least an insurance. None of the other parties have a pressure group behind them or any distinct alternative programme. They therefore have no funds. Who would pay them and for what? Consequently elections in Eire look like being very dull affairs, automatically registering the return of Fianna Fail to power.

Details of Parties in Eire.

(1) *Fianna Fail* (“Soldiers of Fal”—a pagan goddess).—The Government party has an absolute majority in the Dail and the most efficient party machine in Eire. Its emotional appeal to the people is based mainly on the association of its leaders with the Easter Week Rising of 1916 and the Troubles of 1920–22. At that early period its programme and policy were equally republican, nationalistic and revolutionary, and the party took office in 1932 determined to abolish the British connexion, to establish local industries and so to reduce emigration, to abolish partition, to revive the Irish language and to de-anglicise the atmosphere. These aims the party still announces, but somehow the hard facts of day-to-day political and economic life make their final achievement subject to continual delay.

(2) *Fine Gael* (“Tribe of the Gaels”).—The leading Opposition party, stresses the value of the Commonwealth connection, especially on economic grounds. It considers that “compulsory Gaelic” has been overdone, and that the ending of partition should be achieved gradually without histrionics. Ireland, it maintains, should be reunited within the British Commonwealth. Fine Gael’s great days were in the 1920’s. It is now losing ground rapidly.

(3) *Clann na Talmhan* (“Farmer’s Party”).—As its name implies, this newish party claims particularly to represent rural Ireland, but it contains no man of mark. It seems to concentrate on opposition to Fianna Fail rather than on any positive policy. It is said to be divided on the question of the British connexion, one element being openly Republican, the other timidly pro-Commonwealth.

(4) *Labour and National Labour*.—About three years ago a drive was made to make all Irish trade unions separate from Great Britain and become national. Some of the unions felt this would be a great mistake. Hence the split in the Labour Party. Norton’s party still maintains contact with British unions (Trade Union Congress). The Irish Labour Party (Everett) wishes to cut off all connexion with Britain (Congress of Irish Unions).

(5) Reference in the press will often be seen to the Clan na Poblachta (“Republican Party”) and also to the Ailtir na hAiseirghe (Architects of Resurgence). Neither of these parties has any significance whatsoever and they have no member in the Dail. The former is out to achieve a free and independent Ireland on some spectacular lines of its own. The latter is a “Fascist” movement appealing mainly to the youth of the country and promising everything for everybody.

Trade and Finance.

The general pattern of Eire’s trade is the exchange of her agricultural products for United Kingdom manufactures and coal and for foreign exchange with which she purchases up to one half of her visible imports. In normal times the United Kingdom takes approximately 90 per cent. of Eire’s exports and has never even in the worst years of the trade war supplied less than 50 per cent. of her imports. The total turnover of trade varied during the thirties from £100 million in 1930 to £57 million in 1935

Eire normally has an adverse balance of visible trade, of the order of £15 million a year. This is covered by:—

- (a) United Kingdom Government pensions.
- (b) Emigrants' remittances.
- (c) Interest on Irish capital invested abroad especially in the United Kingdom.

Banks, companies and private persons in Eire normally keep a total of some £250 million invested in the United Kingdom. During the war, however, a further credit balance of about £100 million has accumulated, as a result chiefly of the world lack of manufactured goods. Eire's chief financial problem for the present is the fate of her sterling holdings. She will need them:—

- (a) To re-equip her farms, utilities and industries, many of which have exhausted their capital during the war.
- (b) To equip new industries.
- (c) To draw on if and when her agriculture exports to the United Kingdom market begin to decline as a result of Danish, Canadian, &c., competition.

Eire has therefore watched with considerable interest the passage of the American loan and the negotiations for the freeing and scaling down of Argentina's sterling balances. As she earns very little foreign exchange beyond what is supplied to her by the United Kingdom financial authorities, Eire is anxious to see an early resumption of the full convertibility of sterling.

During the war some development has been made in light industries in this country, and the output of electricity is being increased. The main development of the war years has, however, been the great rise in the output and consumption of turf to replace coal. A few "freak" imports have appeared on the Irish market; for instance, silk stockings and textiles from South America. It is expected, however, that these imports, whose appearance is due more to the world-wide shortage of manufactured products than to any change of taste on the part of Eire consumers, will not survive the resumption of competition from American and United Kingdom factories.

During recent months Eire's trade balance has shifted towards the normal peacetime pattern. Whereas during the war, and after it for a time, Eire's export surplus continued, the United Kingdom export drive is already bearing fruit. Exports from Great Britain to Eire are now about £½ million greater each month than imports into Great Britain from Eire and Eire's visible trade balance is now adverse to about £1½ million to £2 million each month.

Dublin, 3rd August, 1946.

[W 9886/1350/68]

No. 28

Sir J. Maffey to Viscount Addison.—(Received in Dominions Office 5th October.)

(No. 7. Saving.)

(Telegraphic.)

Dublin, 4th October, 1946.

PERIOD 9th September–1st October, 1946.

A.—General.

The chief preoccupation of the country during the period under review has been the harvesting of the corn crops in face of the continued bad weather. An "all out" drive on the part of Government and voluntary organisations will eventually result, it is estimated, in the saving of 75 per cent. of the crops. Mr. Herbert Morrison, M.P., the Lord President of the Council, completed a month's holiday in Eire by a three-days' stay with the United Kingdom representative in Dublin, during which he met Mr. de Valera.

B.—External.

(i) Trade with Sweden.

A trade agreement between Eire and Sweden has been made under which the Swedish Government is proposing to grant licences for export to Eire until

the 30th April, 1947, of sawn and planed timber, boxboards, plywood, wood-pulp, paper and paper-board, newsprint, wallboard and certain wood manufactures. In return the Eire Government has agreed to send to Sweden supplies of such goods as it may need and of which Eire may have a surplus for export. It is reported in the press that both countries have agreed that neither will place any obstacles of a financial character or otherwise in the development of trade between the two countries.

(ii) *Delegates to International Labour Office Conference.*

Eire has sent a party of delegates and advisers to the 29th Session of the International Labour Office Conference which opened at Montreal on the 19th September. The leader of the party was Mr. John J. Hearne, Eire High Commissioner in Canada.

(iii) *Mr. Morrison in Dublin.*

The Lord President's private holiday in the south of Ireland terminated in three days of public engagements in Dublin. Mr. Morrison saw the President and Mr. de Valera, was the guest of honour at a dinner given by the Department of External Affairs and at a luncheon given by the Irish Labour Party at the Shelbourne Hotel, and met about eighty representatives of various phases of Dublin and national life at a party arranged for him by the representative. At a press conference Mr. Morrison refused to make any political statements, particularly in reference to questions on Partition, maintaining that he was not in Eire in any official capacity. Questioned about his talk with Mr. de Valera, Mr. Morrison replied: "We met and talked at large. I am on no mission and I have no business to do."

C.—*Internal.*

(i) *Voluntary Harvesters.*

The bad weather, which made August the worst for twenty-two years, persisted into September, with the result that the fears for the safety of the corn harvest, incapable of mechanical reaping, became realised. The nation-wide appeal for voluntary harvesters to engage in hand-labour, made by Mr. de Valera on the 8th September, met with good response and organised military and Government departmental assistance was augmented by many city business firms who closed their premises in order to release employees. It is reported that this spontaneous drive will result in the saving of at least 75 per cent. of the three crops of wheat, oats and barley which would otherwise have had to be written off as an almost complete loss.

(ii) *Finance.*

Financial accounts for the year ended the 31st March, 1946, which were published on the 18th September, show that the total receipts into the Exchequer for the year were £57,608,580. The corresponding figures for the previous year were £51,837,873.

(iii) *Imports.*

Trade figures for the first six months of 1946 show greatly increased visible imports at £32·3 million, as compared with £17·7 million in the same period of 1945. Visible exports at £17 million are little above the corresponding 1945 figure of £15·4 million. Imports from Great Britain and the United States are almost exactly doubled during the period. Those from Canada are approximately halved. Total cattle exports showed no change.

(iv) *New Labour Court.*

The first sitting of the new Labour Court, as a result of the coming into operation of the Industrial Relations Act, 1946, was held on the 23rd September. Mr. R. J. Mortished, the chairman, in a statement on the functions of the court, said: "By the passage of the Industrial Relations Act the Oireachtas had transferred from a Government department to a specially constituted court the responsibility for securing a reasonable adjustment and settlement of differences between employers and workers by negotiation, discussion and agreement between the parties." "Two essential facts should be stressed," he said: "The court was an independent body, independent of the Government and of every other body. Further, it is so constituted that representatives of employers and workers took part on a basis of equality in all its work. The Act might be regarded as an expression of industrial or vocational self-government."

(v) *Clan na Poblachta.*

At the first public meeting in Cork of the newly formed Clan na Poblachta Party M. Sean McBride said that the first step which it was proposing to take on the question of Partition was to invite the elected representatives of the partitioned counties to take part in the councils of the nation and to take their place in the Dail.

(vi) *Armed Robbery in Dublin.*

On the 23rd September four armed men, said to be from Northern Ireland, raided a Dublin suburban bank and took away over £5,000, but were subsequently apprehended. It is rumoured that the assailants were members of the Irish Republican army. This belief has been emphasised by the clearing of the court at the preliminary hearing of the case on the 1st October and by the fact that a witness who gave evidence against the men has been taken out of a Dublin restaurant and beaten up.

(ii) *Finance.*

Financial accounts for the year ended the 31st March 1948, which were published on the 18th September, show that the total receipts into the Exchequer for the year were £27,608,590. The corresponding figures for the previous year were £21,287,873.

(iii) *Imports.*

Trade figures for the first six months of 1948 show a greatly increased volume of imports at £32.5 million as compared with £17.7 million in the same period of 1947. Visible exports at £17 million are little above the corresponding 1947 figure of £15.4 million. Imports from Great Britain and the Eire State are almost exactly doubled during the period. Those from Canada are approximately halved. Total cattle exports showed no change.

(iv) *New Labour Party.*

The first sitting of the new Labour Party, as a result of the coming into operation of the Industrial Relations Act 1946, was held on the 23rd September. Mr. R. J. Whitely, the chairman, in a statement on the functions of the party, said: "In the past, the Industrial Relations Act has been a source of confusion and responsibility for securing a stable industrial and economic situation has been an independent body, independent of the Government and of every other body. Further, it is so constituted that representatives of employers and workers took part on a basis of equality in all its work. The Act might be regarded as an expression of industrial self-government."

CHAPTER IV.—INDIA

[W 1399/560/68]

No. 29

*Confidential Appreciation of the Political Situation in India, No. 12 of 1945,
dated 15th December, 1945.*

THE Central Assembly elections have been completed except in Bengal. The results reveal the almost complete extinction of the smaller parties. In particular, the Hindu Mahasabha, which has been the counterblast to the Muslim League in communal matters, has been practically wiped out. The Congress has won all the general seats, losing only in four cases so far. The Muslim League has not sustained a single defeat; the nationalist Muslims who opposed the League candidates have, with few exceptions, forfeited their securities. The final results so far received are Congress 51; Muslim League 24; Europeans 8; Independents 4; and Sikh Akalis 2; total 89 out of 102 elected seats in the Assembly. While these election results are significant as indicating the general political temper of the country, especially in the higher income strata, it is looked upon as only a rehearsal of the real contest which is to come in the Provincial elections. As the Provincial franchise is much more liberal than that for the Central Assembly, it cannot be assumed that these results will in all cases be repeated in the Provincial sphere. But the success of the Muslim League is likely to have reactions upon the Provincial elections, especially in the Punjab, and it will not be surprising if the Unionist party, which has been running the administration ever since the introduction of Provincial autonomy, should emerge with much reduced following.

The tension in the political atmosphere in India reached its climax with the resumption on the 21st November of the adjourned trial by court martial of the three officers of Subhas Bose's "Indian National Army." Students demonstrating in Calcutta were held up by the police, and in the consequent disturbances the police opened fire fourteen times. The total casualties exceeded thirty-three killed (including an American soldier) and about 350 injured. It is noteworthy that the crowd in Calcutta was not amenable to persuasion either by the Congress or Hindu Mahasabha leaders. Firing was resorted to in Bombay as well, but fortunately without casualties.

Subsequent events showed that this deplorable incident was not an unmixed evil. The trouble in Calcutta seemed to have a sobering effect upon the Congress leaders whose public utterances became less violent in tone. On the 4th December His Majesty's Government announced in Parliament the early visit to India of a Parliamentary delegation, declared the great urgency of the future constitutional programme in India, and affirmed the Government's intention to protect their servants in the discharge of their duties and not to yield to threats of force. On the 10th Lord Wavell took the opportunity of a public speech to counsel moderation and tolerance and to reaffirm his resolute intention to carry out the future political programme with all possible speed. Early in December there were prolonged conversations between Mr. Casey, the Bengal Governor, and Mr. Gandhi, who was on a visit to Bengal, and later Mr. Casey also met Mr. Nehru and other Congress leaders. On the 10th the Viceroy also received Mr. Gandhi. To allay the misgivings of other parties it was officially announced that the Viceroy was not undertaking any negotiations with the Congress, but only maintaining personal contacts, and this point of view was also expressed by Mr. Nehru. Nevertheless, public opinion attached some significance to these conversations, and upon their conclusion press speculations viewed the outcome as something in the nature of a truce between the Government and the Congress pending the elections. An official announcement regarding trial of persons connected with the "Indian National Army" has also helped in easing the political atmosphere. This stated that the number of persons to be tried would be small, and that in any case, before the sentences of the courts martial are put into effect, the authorities would take into account the conformity of the accused person's actions with the recognised canons of civilised behaviour.

Not perhaps unconnected with these developments was the passing by the Congress Working Committee of a resolution reaffirming the policy of non-violence and making it clear that this did not authorise the destruction of

property, the cutting of telegraph wires, the derailing of trains and intimidation. Some of the speeches delivered by Congress leaders in praise of the events of 1942 as well as their glorification of the "Indian National Army" had given rise to doubts on this point.

Congress leaders have avoided commenting directly upon the latest official statements, and the Working Committee, which met recently in Calcutta, has also not referred to it. But there is reason to think that the statements of Government policy have not been entirely displeasing to them; in particular, they seem to have appreciated the reaffirmation by the Government of the urgency of early progress with constitutional plans. With regard to the warning about threats of force, Sardar Patel said at a public ceremony in honour of the "Indian National Army" that they would give notice that a foreign Power would not be allowed to stay on for ever, and that they would now increase their demand to "Quit Asia." Mr. Jinnah's attitude has been more cordial; although he has said that His Majesty's Government still appear to be groping in the dark while the clear solution was to set up two separate States, giving freedom to both, he is evidently gratified at what he regards as a rebuff to the Congress. But his attitude towards the official programme for the future remains dubious, for he has said that the constitution-making body should be assembled only after the question of Pakistan has been settled, and that there should then be two such bodies, one for Hindustan, and the other for Pakistan. Press comments appear to regard the proposed delegation from the British Parliament as a device to fill the time gap till the Indian elections are over and criticism has been expressed about the tone of the statement in Parliament and the utility of the warning about threats of force.

Apart from the resolution on non-violence, the Congress Working Committee has been mainly busy with organisational matters. They have decided to depute Mr. Nehru to Burma and Malaya to assist Indians detained on charges of collaboration with the Japanese, and to hold a plenary session of the Congress in Delhi during the early part of April.

As promised earlier, the Congress has issued an election manifesto intended more particularly for the Provincial elections. The chief feature of this document is the detailed enunciation of economic and social policy, envisaging State ownership of the key industries and transport and banking services, and radical measures in labour and tenancy matters. The manifesto contemplates for the future a Federation of India made up of willing units, and an arrangement by which, in addition to a list of subjects which should, in the case of all the units, be controlled by the federation, there should be a second list in respect of which they can federate if they choose. Another election manifesto which has been issued recently is by the Unionist party of the Punjab; this is remarkable for its total silence on the question of Pakistan.

[W 1528/560/68]

No. 30

(1)

Confidential Appreciation of the Political Situation in India, No. 1 of 1946, dated 19th January, 1946.

THE last of the results of the general elections to the Central Legislative Assembly, all from Bengal, which became available at the end of December, followed the general pattern elsewhere—overwhelming success for the Congress in the non-Muhammadan constituencies and for the Muslim League in constituencies specially reserved for Muslims. Here for the first time the Congress pitted itself against the League in two constituencies and was defeated heavily, both the Congress candidates forfeiting their deposits. Owing to the opposition of the Nationalist Muslims the elections have, generally speaking, been more keenly contested in the Muslim constituencies. The Congress has secured 91·3 per cent. of the total votes cast in non-Muhammadan constituencies and the Muslim League 86·6 per cent. of the total votes cast in Muhammadan constituencies. The composition of the new Assembly will be Congress, 57; Muslim League, 30; Independents, 5; Akali Sikhs, 2; and Europeans, 8; making up a total of 102 elected seats. In the last Assembly the distribution by parties was

Congress, 36; Muslim League, 25; Nationalists, 10; Independents, 21; and Europeans, 8. It is expected that the normal voting strength of the Congress will be about 60. In the last session of the Assembly the two main Opposition parties had a tacit working arrangement by which they were able to defeat the Government in almost every important division. It remains to be seen whether the exacerbation of mutual relations in recent months will permit of the two parties working in unison in the new Assembly.

2. The political parties are now concentrating on the provincial elections. Although for purposes not directly connected with the elections, Mr. Gandhi has visited Bengal and Assam and is proceeding shortly to Madras; Mr. Nehru has during the last month toured Bihar, Bengal and Assam and has just returned from a tour of Sind. In the course of these activities he has found time to preside over a conference of States people which met in the Rajputana State of Mewar at the end of December, at which the demands of the States people for elected representation in the Constitution-making body were formulated. Mr. Jinnah is starting on a three months' tour of the United Provinces and the Punjab. In Sind, which has an overwhelming Muslim majority, there has at last been an open rupture between the League "High Command" and the local League leader over the question of selection of candidates, and the local leader has decided to take his own line in regard to the elections. For this act of contumacy he has been expelled from the League.

3. Muslim Leaguers are jubilant over their success in what they call "the first round," while pro-Congress opinion is reiterating the view that if the League's electoral victory is repeated in the provinces, and the demand for Pakistan is pressed, the consequence can only be the partition of the Punjab and Bengal, and the demand has also been voiced for a declaration from the British Government to this effect. Recent statements by Muslim League leaders reiterate the uncompromising demand for Pakistan; and there is evidence that on this subject opinion is hardening in the right wing of the Congress as well. Mr. Vallabhbhai Patel, for instance, in a singularly aggressive speech said recently that the demand for Pakistan can only lead to civil war.

4. The parliamentary delegation arrived in India on the 5th January and are, at the time of writing, in Bombay, having already covered the Punjab and the North-West Frontier Province. In the beginning all the Indian parties displayed an ostentatious lack of interest in the delegation; but, once their status and purpose became clear, the attitude of suspicion has disappeared. The Indian parties seem to be quite aware of the advantages of presenting their point of view to a mission of this nature and, in spite of certain extremist counsels in the case of the Congress, seem disposed to follow the wise lead given by Sir Tej Bahadur Sapru and extend all co-operation to the delegation. The members of the delegation have already met Mr. Jinnah, the Congress President and Mr. Nehru, as well as other leaders of both the parties; and they have an appointment to meet Mr. Gandhi at Madras. The newspapers are giving prominence to all available information concerning the delegation and publishing special articles and comments intended to present their respective points of view to the visitors.

5. The success of the delegation's visit has been facilitated by the general improvement in the political atmosphere in the course of the last month. One of the causes which contributed to this result was undoubtedly the action of the Commander-in-chief in remitting the sentence of transportation for life passed on the prisoners in the "Indian National Army" court martial. The demand now is for dropping the other trials now in progress or in contemplation. Unverified reports in the press to the effect that the Viceroy has asked the War Office to send back Indian troops from South-East Asia have also helped to conciliate Indian opinion and to enhance the personal popularity of Lord Wavell. But the announcement of the Anglo-American loan agreement, with the possibility of reducing the Indian sterling balances, has caused much disquiet; which has been reinforced by the resignation of Sir Ardeshir Dalal from the Viceroy's Executive Council which is taken as evidence of the incompatibility of official policies with any really effective planning for the industrialisation of India. The report of Sir Tej Bahadur Sapru's Conciliation Committee has been published, but as the committee's recommendations came out in April last, the report has not made much impression upon public opinion. The general feeling seems to be that it has fallen short of the realities of the situation.

6. In the world of finance the most striking event was the promulgation of the High Denomination Bank Notes (Demonetisation) Ordinance, in pursuance of which bank-notes of the denominational values of Rs. 500 and above ceased to be legal tender from the 12th January. The ordinance provides for the exchange of the high-denomination notes so long as a tender for exchange is accompanied

by a declaration giving certain particulars calculated to help the Income-Tax Department to pursue the tax-evader and black-marketer. This measure has been generally well received, though it has created panic in the minds of the black-marketers.

[W 3181/560/68]

(2)

Confidential Appreciation of the Political Situation in India, No. 2 of 1946, dated the 19th February, 1946.

PUBLIC interest is mainly centred on the progress of the general elections to the Provincial Legislatures. In the section 93 Provinces of Madras, Bombay, Bengal, the United Provinces, Bihar, the Central Provinces and Orissa, elections will not be held till March or April; but in Assam, Sind and North-West Frontier Province the elections have been completed, while in the Punjab they are expected to be finished by the 23rd of this month. The general tendency, already noticed in connexion with the elections to the Central Legislative Assembly, for the Congress and the Muslim League to swamp the other smaller parties has continued. In Assam and Sind the League has captured a large majority of the Muslim seats, while the Congress has won all the general territorial seats. In the North-West Frontier Province, however, Congress has met with substantial success in the Muslim constituencies and has been able to win a majority of them.

2. In the Assam Legislative Assembly the Congress secured an absolute majority of fifty-eight out of the 108 seats, and accordingly the leader of the Congress party, Mr. Gopinath Bardoloi, was commissioned with the task of forming the new Ministry. This Ministry now consists of five Hindus, one Indian Christian and one Nationalist Muslim. Two seats were offered to the Muslim League on the condition that the League party in the Assam Legislature would agree to work the Congress parliamentary programme. The League has rejected this offer in pursuance of its policy not to co-operate with any Ministry containing non-League Muslims.

3. In Sind the Legislature has never thrown up a stable majority party, and the results of the general elections have been true to form. The Muslim League captured twenty-seven seats and one Independent Muslim joined the League after the elections. The Nationalist Muslims secured three seats, while Mr. G. M. Syed and his followers, who broke away from the Muslim League on the eve of the elections, were able to capture four seats. The Congress secured twenty-one seats. Of the remaining four seats, three went to Europeans and one to an Independent Labour candidate. After the elections had been completed a Coalition party was formed under the leadership of Mr. Syed, twenty-eight strong, comprising the Congress party as well as the Nationalist Muslims and the Muslim group under Mr. Syed. This resulted in the position of two parties with twenty-eight members each, with three neutral Europeans and one Independent Labour member (who has since decided to align himself with the Coalition party). Sir Ghulam Hussain Hidayatullah, the former Premier and leader of the Muslim League party, was commissioned to form the new Ministry, which at present consists of four members, all Muslim Leaguers. Thereafter an interesting situation developed. An offer of two Hindu seats was made by Sir Ghulam Hussain to the Congress party; that party, however, insisted that it had become part of the Coalition party under Mr. Syed, with whom negotiations should be conducted. The Muslim League would, of course, not do this, since its policy was not to coalesce with any Muslim group outside the League. The negotiations thus broke down.

4. In the North-West Frontier Province the Congress has secured an absolute majority of thirty seats, including nineteen Muslim seats. The Muslim League has won seventeen seats, Nationalist Muslims (who generally co-operate with the Congress) two seats and Akali Sikhs one.

5. The Chamber of Princes held its session in New Delhi on the 17th January and its meetings were presided over by His Excellency the Viceroy. In his address to the princes, the Viceroy assured them that no changes in their relationship with the Crown or the rights guaranteed to them by treaties and engagements would be initiated without their consent. At the same time, he

expressed his confidence that the States would take their full part in the constitutional discussions which are to be held later in the year as well as in the intended Constitution-making body. He further impressed upon them the necessity of placing their administration on modern lines and ensuring that all States fulfilled the three fundamental criteria of good government, viz., political stability, adequate financial resources and effective association of the people with the Administration. In the case of smaller States, His Excellency urged them to pool their resources and form political entities of a sufficient size either by joining larger units or by combination with other smaller States. For its part the Chamber of Princes affirmed that the States fully share the general desire in the country for the immediate attainment by India of her political stature and their intention to make other possible contribution towards the settlement of the Indian constitutional problem; and on behalf of the Chamber of Princes the Chancellor declared that it was the policy of the Chamber of Princes that the fundamental principles of sound administration should be followed in every State and that there should be popular institutions with elected majorities to ensure close and effective association of the people with the governance of the States. These declarations have received widespread approval as indicating a general desire for improvement in the standards of administration of the States and for a co-operative effort to march with British India.

6. His Excellency the Viceroy addressed the Assembly on the 28th January in a seven-minute speech when he took the opportunity of emphasising the determination of His Majesty's Government to establish a new Executive Council formed from political leaders and to bring about a constitution-making body or convention as soon as possible.

7. The members of the British Parliamentary Delegation have completed their extensive, if rapid, tour of India and left for England on the 10th. They have had several meetings with the principal political leaders of British India, while some of them were also able to establish contacts with Indian States and their Rulers. Their earnestness and sincerity have impressed all alike, and the initial feeling of suspicion rapidly gave way to cordiality and friendship. The members of the delegation have not shown any tendency to belittle the complexity of the Indian political problem but they have made no secret of their anxiety that it must be solved urgently.

8. There is little doubt that it is now generally recognised that His Majesty's Government regard the question of a constitutional settlement of India as one which will not brook any delay. Sardar Vallabhai Patel is reported to have said, while at Karachi, that "the ship has reached the shore" and that the freedom of India is near at hand. On the other hand, Mr. Jinnah countered His Excellency the Viceroy's Assembly speech with a statement that the Muslim League was not prepared to consider anything short of an immediate recognition of the Pakistan demand, and that the League would not be prepared to co-operate in any interim arrangements until this principle was made clear beyond all doubt and until it had been decided that there would be two constitution-making bodies, one for the Pakistan areas and the other for the rest of India. Mr. Jinnah subsequently elaborated this point of view in an interview to the press in which he said that if the British carried out their intention of calling a single constitution-making body the only result would be a Muslim revolt throughout India.

9. There has been further recrudescence of trouble in Bombay and Calcutta on account of clashes between the propagandists of Subhas Bose's "Indian National Army" and the Police. On the 22nd January attempts were made to take out a big procession in the former city on what was called "Subhas Bose Day" and a serious situation resulted from a clash between the processionists and the authorities. Firing had to be resorted to and caused a casualty list of over twenty killed during the two or three days of the trouble. Similarly, the conviction of one of the Indian National Army officers by a court-martial resulted in a demonstration in Calcutta on the 11th February and subsequent days. This led to widespread looting, arson and other forms of disorder on a more serious scale. The death roll in this case has mounted to over forty. Mr. Jinnah is taking an active interest in regard to this particular officer who was defended under the auspices of a committee formed by the Muslim League.

10. The deterioration in the food situation has caused grave anxiety over the whole country and has overshadowed all other issues. During the last ten or twelve weeks there has been a total failure of crops in large areas in Madras owing to cyclone and drought; and in the southern districts of Bombay and Mysore as well as in certain parts of western India, on account of drought. There has also been a failure of rains in the United Provinces and the Punjab.

It has been officially admitted that there is a possibility of a widespread famine in India unless adequate shipments of foodgrains are made available from outside. A strong delegation, composed of officials and non-officials, has accordingly been sent to London and Washington to press India's case before the Combined Food Board. Within India also all possible measures are being taken to ensure equitable distribution of available food supplies. His Excellency the Viceroy toured the areas principally affected and had discussions with the Governors as well as consultation with Mr. Gandhi, Mr. Jinnah and Maulana Abul Kalam Azad. The political parties in India have offered His Excellency their full co-operation in combating the threat of famine; though the Congress party declined to participate in the delegation above mentioned. The indications are that the whole country is now facing the situation with realism and a spirit of earnest co-operation in all the steps that may be necessary to avert a serious crisis.

[W 4000/560/68]

(3)

Confidential Appreciation of the Political Situation in India, No. 3 of 1946, dated 21st March, 1946.

ON the 19th February the Secretary of State for India, Lord Pethick-Lawrence, made a very important statement regarding the policy of His Majesty's Government about India's constitutional future. He recalled that it was proposed that, shortly after the general elections in India, the Viceroy should hold discussions with representatives of British India and of Indian States in order that an agreement should be found on the procedure for setting up a Constitution-making Body and for bringing into being an Executive Council at the Centre having the support of the main Indian parties. He then announced that, in view of the paramount importance, not only to India and the British Commonwealth but to the peace of the world, of a successful outcome of these discussions, the British Government had decided to send out to India a special mission consisting of three Cabinet Ministers to act in association with the Viceroy in this matter. The Prime Minister amplified this statement in the House of Commons with the remark that, within the terms laid down by Cabinet decisions, the Ministers going out to India would have power to conduct negotiations on behalf of His Majesty's Government as well as powers to take action. The members of this mission will be the Secretary of State for India (Lord Pethick-Lawrence), the First Lord of the Admiralty (Mr. A. V. Alexander) and the President of the Board of Trade (Sir Stafford Cripps). While Indian reaction to this announcement has been one of cordial approval, the Congress and the Muslim League have repeated their respective demands with vigour. For the League, Mr. Jinnah has made it clear that the major issue being Pakistan, it should be conceded first before there can be discussion on details; and on the Congress side Pandit Jawaharlal Nehru has urged an immediate proclamation of India's right to independence, leaving only the details of arrangements to be filled in. All political leaders in India, including Mr. Gandhi, have, however, emphasised that the utmost co-operation should be extended to the mission. The Prime Minister made a further statement in the House of Commons on the 15th March, in which he has made it quite clear, first, that the issue whether India should remain within the British Commonwealth or not is one for Indians themselves to decide, and, second, that, while His Majesty's Government were mindful of the rights of the minorities and the minorities should be able to live free from fear, a minority cannot be allowed to place a veto on the advance of a majority. This has evoked criticism from Mr. Jinnah, who has reiterated the claim that the Muslims are not a "minority" but a "nation" and that it is futile to expect co-operation from the Muslim League if the machinery to be set up for framing the new Constitution is to be a single Constitution-making Body or Assembly. The task of the mission is bound to be a difficult one, but it can be stated with confidence that the mission is assured of welcome, co-operation and assistance from all Indian parties.

2. The Congress having secured an absolute majority of the seats in the North-West Frontier Assembly, a Congress Ministry has been formed in that province with Dr. Khan Sahib as Premier. It consists of three Muslims and one Hindu.

3. In the Punjab the general elections resulted in the Muslim League securing 75 seats (out of a total of 86 Muslim seats), the Congress 51, the Panthic Sikhs—who were opposed by the Congress—22 seats and the Unionists 20, the remaining 7 seats being won by Independent candidates. Changes in party affiliations after the elections led to the following position:—

Muslim League	...	...	...	...	79
Congress	...	...	...	...	51
Panthic Akali Sikhs	...	...	...	...	22
Unionists	...	...	...	...	10
Independents	...	...	...	...	10
<hr/>					<hr/>
Total	...	...	...	...	172 with three by-elections pending.

There were prolonged negotiations between the Muslim League party on the one hand and the Congress and Panthic Akali parties on the other for a Coalition Ministry. These negotiations, however, failed to produce agreement. The demand of the Muslim League that the Congress party's choice of Ministers from its party should be confined to Hindus (the Akali party nominating the Sikhs) proved unacceptable to the Congress. Congress insisted, first, that it should have freedom of choice of its own nominees to the Cabinet; second, that the Congress-cum-Akali party should be allowed to nominate half the strength of the Ministry; and, third, that controversial issues not pertaining to the Provincial administration, *e.g.*, the Pakistan question, should not be brought up before the Assembly. To these conditions the Muslim League were not prepared to subscribe. Nor was the League able to reach an agreement with the Akali Sikhs, who insisted that assurances should be given in regard to the creation of a Sikh State in the Punjab in case the Muslim League pressed its claim for the establishment of Pakistan.

Negotiations between the Muslim League and the other parties having led to a deadlock, a Coalition party was formed consisting of the Congress, the Unionists and the Sikh Akali party, under the leadership of Sir Khizr Hyat Khan, the former Premier and leader of the Unionist party. Sir Khizr was accordingly entrusted with the formation of a Ministry. The Cabinet now consists of four Ministers, two Muslim drawn from the Unionists and the leaders of the Congress and Akali Sikh parties. It is, however, proposed that additions will be made to this number in the near future.

4. Elections have been completed in Bihar and have resulted in the Congress winning 98 seats in a House of 152, including 1 Muslim seat. The Muslim League has won 34 out of 40 Muslim seats, the remaining 5 going to the "Momins," who are pro-Congress. The remaining seats have been won by Independent candidates.

5. The first "peace" budget was presented to the Indian Legislative Assembly by Sir Archibald Rowlands, the Finance Member, on the 28th February. The revised estimates of revenue and expenditure for 1945-46 are £271 million and £379 million, as against the original estimated figures of £272 million and £388 million. It will be noticed that, even though the war had ended by the middle of the financial year, expenditure did not indicate a substantial fall. The explanation for this is to be found very largely in the heavy costs of war gratuities, special leave and other terminal benefits granted to personnel on discharge in addition to their pay and allowances and other maintenance expenses while awaiting discharge in India. For the financial year 1946-47 the revenue at the existing level of taxation is expected to yield £230 million; defence expenditure is estimated to be £182 million and civil expenditure £84 million. The main features about the new taxation proposals are the abolition of the Excess Profits Tax, the reduction of rates of income-tax on lower ranges of income, increase in the earned income allowance, the grant to industry of special depreciation allowances of 10 per cent. on new buildings and 20 per cent. on new plant and machinery, and the proposal to allow for income-tax purposes expenditure on scientific research. It is also proposed to widen the scope of what is called the obsolescence allowance, so as to make it include the loss of industrial assets by destruction or demolition and also to extend it to buildings. In the field of indirect taxation, the Finance Member proposed, *inter alia*, to reduce the duty on kerosene and motor spirit, increase the import duty on silver and levy a new duty on gold. These taxation proposals would result in an estimated deficit of £53 million, which would be reduced by £20 million by the transfer to general revenues of the estimated balances in the War Risk Insurance Funds.

Excluding the contributions for quotas under the Bretton Woods Agreements, the total borrowings which the Government of India hope to raise in the coming year amount to approximately £225 million.

6. The Finance Member also outlined the schemes which had been put in train for checking sudden deflation and the consequent threat of widespread unemployment and depression. Provincial Governments have been asked to embark forthwith on all schemes which provide a high proportion of employment relative to cost, or are productive or of economic importance calculated to increase the national income. Such schemes will include roads, buildings, minor irrigation works, agricultural and forestry development, public health measures such as anti-malaria, water supply and drainage schemes, &c. As an incentive to urgent action, the Central Government have undertaken to provide provinces with all the funds they may require for approved schemes, either in the form of loans for self-financing schemes or in the form of grants to be set off later against whatever scheme of central grants may be decided upon in the future. Sir Archibald Rowlands also announced that the Government of India propose to appoint an expert and predominantly non-official committee to examine and report on the present tax structure and taxation incidence. The budget has had a very favourable reception both from the press and the public.

7. The period under review witnessed a revolt of certain Royal Indian Navy personnel, followed by grave civil turmoil in Bombay. It started on the 18th February, when ratings of the Signal School in Bombay went on strike and refused to take their food. They were subsequently joined by ratings from other naval establishments. These persons got completely out of hand. They took possession of some ships, mounted the guns and prepared to open fire on the military guards. A very ugly situation thus developed. Admiral Godfrey, Flag Officer Commanding, Royal Indian Navy, broadcast to the ratings, calling upon them to surrender; at the same time, efforts were made to secure reinforcements in the shape of guns and planes, while naval reinforcements were also despatched to the scene. It is noteworthy that both the Congress and the Muslim League condemned the mutiny and that Sardar Vallabhbhai Patel and other leaders advised the ratings to surrender. Eventually, on the 23rd February, the ratings surrendered. Meanwhile, against the advice of the Congress and League leaders, strikes and hartals were organised, and unruly crowds started looting and setting fire to banks, shops, post offices, police posts and grain shops. The police had to open fire several times and the military had also to be called in to assist before order could be restored. Over 200 persons were killed as a result of these disturbances. The Bombay disturbances had their repercussions in other centres in India. In Karachi, some naval ratings opened fire, but after a brief exchange of shots order was restored. Here, as well as in Madras, Calcutta and other centres, there were demonstrations and hartals, but the situation was controlled without much difficulty.

8. The food situation continues to remain anxious. The Government of India are taking steps to tighten up the restrictions on the export of even small quantities. Rationing of cereals is being extended and the present scale of rations is being cut by 25 per cent. The Government of India is also encouraging the cultivation of short-term crops by subsidising water supply facilities (digging of wells and tanks) in drought-affected areas. The Congress at one stage put forward a proposal that a non-official committee should advise the Government of India in regard to the food problem; but when a concrete suggestion that a committee consisting of fourteen non-officials should be set up for this purpose was put to the Working Committee, the Working Committee refused to co-operate. A subsequent proposal that a smaller committee consisting of Messrs. Gandhi, Jinnah and possibly the Nawab of Bhopal (Chancellor of the Chamber of Princes) should advise his Excellency was likewise rejected by the Working Committee. Much is expected from the food delegation under the leadership of Sir Ramaswami Mudaliar, which is pleading India's case before the Combined Food Board. Sir Ramaswami has made it clear that India needs 4 million tons of grain from outside before the end of 1946.

9. Indian opinion has been greatly stirred by the decision of the Government of the Union of South Africa to proceed with the Asiatic Land Tenure and Indian Representation Bill. Dr. Khare, Commonwealth Relations Member, announced in the Council of State that his efforts to persuade General Smuts to discuss the Indian question at a conference with the representatives of the Indian Government had failed. He added that, in view of the attitude of the Union Government, the Government of India proposed to take counter-measures against South Africa, and have given notice of their intention to terminate India's trade

agreement with South Africa. A delegation of Indians from South Africa saw the Viceroy and urged the recall of the Indian High Commissioner and the application of economic sanctions. Opinion on this issue is unanimous in favour of vigorous action by the Government to vindicate the rights of Indians in South Africa to just and equitable treatment.

[W 5171/560/68]

(4)

Confidential Appreciation of the Political Situation in India, No. 4 of 1946, dated the 18th April, 1946.

THE Mission of Cabinet Ministers arrived at New Delhi on the 24th March. Their welcome had already been assured by the British Prime Minister's speech made in the House of Commons on the eve of their departure. The reference in this speech to independence had been particularly well received in India. The passage relating to the minorities not being permitted to hold up the progress of the majorities had, however, aroused misgivings in the minds of the members of the Muslim League, while being welcomed by the other parties: and when the mission held press conferences, some of the questions put to the Ministers were concerned with this issue. The Ministers were, however, able to conciliate the questioners without committing themselves to any definite plan or procedure. At a press conference, held on the 1st April, Sir Stafford Cripps made it clear that he would not be drawn into any technical discussion on the interpretation of past pledges, since they must be understood in the light of present realities.

2. During the first week of their stay in India the Cabinet Mission was busy ascertaining the official views on the Indian situation by discussions with the Provincial Governors and the members of the Viceroy's Executive Council. Then, through formal interviews and informal contacts with the leaders of the main political parties and outstanding personages like Sir T. B. Sapru, they fully learned their respective points of view. When this phase of their activities was nearing completion they issued a statement declaring that their labours were now about to enter a very decisive phase in which the utmost efforts from everyone concerned would be essential for success, reaffirming faith in the possibility of a solution, and hoping that the Indian leaders would establish contacts and try to reach an agreement by the time they themselves returned from a short holiday which they proposed to take during Easter.

An indication of the nature of the new intensive phase of the mission's activities was given by the interview they gave, for the second time, to Mr. Jinnah on the 16th April, and their similar discussion with Maulana Azad the next day. Speculations in the press connect these interviews with practical suggestions which the mission might themselves put forward and with efforts to bring the Congress and the Muslim League together.

It should be mentioned that the Viceroy has been invariably associated with the activities of the mission of which he is a member.

3. The Sikhs, whose history has, almost from the beginning, been coloured by persecution by the Mughal emperors of Delhi, have always been one of the bitterest opponents of the Pakistan principle. When Sir Stafford Cripps came over to India in 1942, they unanimously raised the demand that there should be established a Sikh State in the Punjab, comprising the holy places of the community; and this demand has been renewed recently. Now Mr. Jinnah has expressed his willingness to concede such a State, provided it could be shown to him where it would be practicable to set it up. But the official demand for a Sikh State is still confined to the contingency that the setting up of Pakistan (to which they still profess strong objection) should become inevitable. The Sikhs comprise many big landholders in the Punjab and are an important factor in the economic life of the province, but in no district do they form a majority.

4. To strengthen his hands, Mr. Jinnah called in Delhi at the end of the first week of April a convention of over 400 members of the various legislatures in India, elected recently upon the Muslim League ticket. Here a resolution demanding the establishment of a single State of Pakistan, comprising the six provinces on the north-west and north-east border, was passed, and all members took a pledge to brave all sufferings in the cause of Pakistan. The mover of the resolution stated that Pakistan was their latest demand, not necessarily their last, and the seconder (a former member of the Viceroy's Council) spoke about calling in the aid of Russia if other means proved unavailing. Statements were also issued in large number by the Congress and other

party leaders contesting Mr. Jinnah's point of view and putting forward their own conclusions. Of these, the only one which requires mention is that made by the Congress President in which he commended the solution of the Congress based upon the independence of India, the unity of the country, the autonomy of the provinces (subject to central power) and the vesting of residuary functions in them and two lists of central subjects, a compulsory minimum list to which all provinces must accede, and an optional list, the subjects in which can be accepted at the discretion of each province. Although Mr. Jinnah has not yet commented on this statement, it does not appear to have made any appeal to the Muslim League.

5. By the end of March results were available of the general elections held to Provincial Legislative Assemblies of U.P., Bihar and Bombay, and the first three days of April Ministries were set up in these provinces in that order. The Prime Ministers in all cases were those who held office as such in the previous Congress Government, and the team of Ministers were also made up of the old members where available. The results of the elections as regards the main parties were in the United Provinces Assembly (containing 228 members), Congress 152, and Muslim League 54; in Bihar (total strength 152), Congress 98, and Muslim League 34; in Bombay (total 175), Congress 126 and Muslim League 31. The Hindu Mahasabha, the Radical Democratic party and the Communists have been wiped out for all practical purposes and have only been able to obtain one or two seats in some provinces. For the Bengal and Madras Assemblies for which results have come in later, they are as follows :—

	Bengal.	Madras.
Total	250	215
Congress	87	165
Muslim League	113	29

In Bengal, Mr. Suhrawardy of the Muslim League, has received a formal invitation to form a Ministry, and he is conducting negotiations with the local Congress leaders with a view to the formation of a coalition. Similar attempts by the Congress in their majority provinces have been unsuccessful. In Madras the formation of a Ministry has been held up owing to a dispute about leadership. To avoid any constitutional difficulty Parliament has had to pass affirmative resolutions prescribed by the Constitution for the continuation of Section 93 administration beyond the end of April. This is, however, conceived only as a safety measure, and the expectation is that an acceptable leader will soon be forthcoming to form a Ministry.

Results from two more provinces, namely, Orissa and the Central Provinces, are still coming in, but the dominance of the Congress in both the legislative Assemblies is now assured, and was, in fact, never in doubt.

6. In the dispute with the Union of South Africa about their new anti-Indian legislation, the Government have announced that they propose to bring the matter before the United Nations Organisation and in an appropriate manner. This decision has been warmly welcomed by public opinion.

7. India's food position was reviewed at a conference with the representatives of provinces and States on the 17th April in connexion with the formulation of basic plans for distribution of availability to the deficit areas in India. It was found that, with the local resources supplemented by the allocation of 1½ million tons of the Combined Food Board, if received in regulated quantities over a period of April to July, India would just be able to scrape through. If the allocation were reduced or a low priority given for the despatches to India, as there has been evidence of a desire to do in some quarters in the United States, nothing could save India from an extensive breakdown from the end of June involving famine of the worst character.

[W 6121/560/68]

(5)

Confidential Appreciation of the Political Situation in India, No. 5 of 1946, dated the 20th May, 1946.

A STATE of acute tension in the Indian political atmosphere has passed with the publication by the delegation of British Cabinet Ministers and the Viceroy of their conclusions about the future of India. When the Ministers returned from their Easter holiday in Kashmir, they found that there was little chance of the Congress and the Muslim League leaders coming together and

evolving agreed proposals. Further efforts through informal personal contacts to bring about a meeting between them having failed, the delegation invited both the bodies to appoint four representatives each to confer with the delegation themselves and the Viceroy. Both parties accepted the invitation and the conference took place at Simla between the 5th and 12th May. At one stage the prospect of agreement seemed near when Mr. Jinnah carried on conversations with Mr. Jawaharlal Nehru, the successor-elect to the present Congress President. But, although both sides made concessions, a gulf still remained between the two parties.

Unlike at the Simla Conference of last year, the fact of disagreement did not, however, conclude the matter. The Cabinet delegation had been instructed by the British Government to bring into being a machinery by which the Indian people could decide their own future, and also to set up an Interim Government commanding popular support which would carry on the administration while the future constitution was being drafted. It was found that progress in either of these matters could not be made without providing an outline solution of the fundamental issues on which the two main parties differed. The result was that the British Government found it necessary to indicate a possible line of approach for the solution of the deadlock.

The Cabinet delegation and the Viceroy announced their intentions as to the next steps to be taken in a statement which was made public on the 16th May, both in India and in England. The delegation found it necessary first to make up their minds about the Muslim League demand that two sovereign States should be set up in India comprising Hindu and Muslim majority areas. This demand they were unable to accept for the reasons that it would not solve the communal problem or provide two homogeneous communities in the two proposed States, that it would dislocate the arrangements for defence and communications which had been evolved on the basis of unity, and that it would complicate the position of the States. At the same time, they recognised that something had to be done to meet the apprehensions of the Muslims of being submerged under a Hindu majority.

The scheme recommended by the Cabinet delegation provides for an Indian Constitution arranged in three tiers, at the top of which would be the Indian Union, at the bottom the provinces, and in between an optional tier of groups of provinces, each of these tiers having its own executive and legislature. The Indian Union would have jurisdiction in respect of three subjects, defence, foreign affairs and communications, with power to raise the money required for these subjects, and it would have a legislature and well as an executive. The Indian States are expected to cede jurisdiction to the Union in respect of these three subjects, but will retain their other powers except in so far as they may cede some of them to a province or a group of provinces. The provinces are to be autonomous and to possess complete powers in respect of all subjects other than the three assumed by the Union, but they are to have the liberty to form themselves into groups to which jurisdiction in other matters can be transferred. Three such groups are proposed—the first comprising Madras, Bombay, the United Provinces, Bihar, the Central Provinces and Orissa, all Hindu-majority provinces; the second, Punjab, the North-West Frontier Province and Sind, all Muslim-majority provinces; and the third, Bengal and Assam, with a Muslim majority for both provinces taken together and for Bengal separately. After a new Constitution has got into working order, any province is to have the right to leave the group in which it is originally included and join any other group.

These proposals are put forward as recommendations, but it is intended that in the process of Constitution-making they should not be varied without the agreement of a majority of the members belonging to each of the two main communities present and voting in the Constituent Assembly. For the formation and working of the Constituent Assembly itself the statement makes definite plans. Election by adult franchise being impracticable, the statement contemplates election to the Constituent Assembly by the existing Provincial Legislative Assemblies, but on the basis of the population figures according to which definite quotas of representation are allotted to each province. Muslims in all provinces and the Sikhs in the Punjab are given the right to elect their representatives separately; all the other members are to vote together. Election in all cases will be by the method of proportional representation, so that all points of view may hope to get spokesmen in the Constituent Assembly. The Assembly will meet at New Delhi as soon as possible, and after preliminary business split into three separate compartments corresponding to the three groups which will decide the Provincial Constitutions, and the group Constitutions if these are considered

desirable. When these matters have been settled, the representatives will all meet together to draft the Constitution for the Union. At this stage they will be joined by the representatives of the States. An advisory committee will be set up to consider what provisions should be made for a declaration of fundamental rights and for the protection of the minorities and for the administration of backward areas. Any proposal in the Union Constituent Assembly which raises any major communal issue will require for its adoption the assent of a majority of the members belonging to both the major communities who are present and take part in voting. It is contemplated that the Constitution should be open to revision at ten-yearly intervals at the instance of any Provincial Legislature.

A problem to which the statement makes only a brief reference is that of the Indian States. With the attainment by India of independence, the relationship which has hitherto existed between the States and the British Crown will no longer be possible, and new arrangements will have to be made.

Pending the drafting of the new Constitution there will be set up an Interim Government commanding the support of the main parties. This is a matter of great importance, and it is possible that the negotiations for this purpose will prove decisive for the success of the whole scheme.

The statement concludes with an expression of the hope that India would decide to remain within the British Commonwealth, but the choice is hers, and in any case she would have the best wishes of the British Government and people for her future progress.

The reactions of the press to the delegation's proposals are favourable, but the political parties have not yet revealed their attitude; it is clear, however, that there is no disposition at any rate to reject the proposals out of hand. Mr. Gandhi has commented upon them in favourable terms, and it may be assumed that the Congress will accept them. Muslim League quarters seem to be waiting for a lead from Mr. Jinnah. It is generally recognised that in the absence of an agreement between the parties, mediation by the British Government was inevitable, and that the alternative to its acceptance is civil turmoil and chaos. It is also recognised that the delegation have made a sincere effort to secure to both the main parties the essentials of the position which they wished to safeguard. There is, therefore, reason to hope that the scheme will be generally acceptable, and that this will remove the preliminary obstacles to the formulation of a Constitution for free India.

The last of the election results from the provinces became available towards the end of April. In the Central Provinces the Congress had obtained ninety-two seats and the Muslim League thirteen. The Hindu Mahasabha and the Forward Bloc have returned one member each, while the Scheduled Castes Federation (a body which follows the lead of Dr. Ambedkar, member of the Viceroy's Executive Council) has had its solitary success in the province. In Orissa, where the Legislative Assembly consists of sixty members, the Congress secured a comfortable majority of seats without election, and the final results showed that they had captured forty-seven seats, and the Muslim League four seats. Among the successful candidates was a Communist. In Bengal the negotiations to form a coalition Ministry including the Congress and Muslim League failed in the end, and a Ministry has been formed by the Muslim League party with the support of independent elements. In Madras the local Congress members elected as their leader Mr. Prakasam, the Andhra leader who was a member of the last Ministry, and an Administration has been formed by him. A remarkable feature of the case is that this has been done in defiance of the advice of the Congress "High Command" who had preferred that the Ministry should be formed by Mr. Rajagopalachari, the Prime Minister in the last Congress Government.

The food situation continues to give room for anxiety. Shipments of cereals from abroad at present programmed for India are entirely inadequate to maintain even the present meagre scale of rations, but it is hoped that Mr. Morrison's mission to the United States may succeed in securing some more food grains for India.

[W 6940/560/68]

(6)

Confidential Appreciation of the Political Situation in India, No. 6 of 1946, dated 19th June, 1946.

SHORTLY after the statement of the Cabinet delegation was published, certain correspondence which had taken place between the participants at the Simla Conference was also made public. This bore out the general impression

that the recommendations of the delegation were, in effect, a compromise between the points of view of the two main parties. Being a compromise, it was natural that no party should find them quite acceptable, even though no party ventured to reject them at once. The first indication of the views of either of the main parties was given by Mr. Jinnah, leader of the Muslim League, in a long statement which criticised some points in the proposals of the delegation, but did not suggest that they should be rejected. Instead of expressing any definite views on the acceptability of the statement as a whole, Mr. Jinnah preferred to leave the decision to the unprejudiced judgment of the Muslim League Working Committee and Council.

2. After deliberations lasting for a considerable time, the Congress Working Committee adopted a resolution raising various points in connexion with the statement, but carefully refraining from rejecting the statement altogether. The most important of them related to the grouping of the provinces; the committee found the provision for initial grouping inconsistent with the freedom promised to the provinces in this respect. Another point was about the inclusion of Europeans in the electorate for the Constituent Assembly for group C, comprising Bengal and Assam. The fact is that in spite of their very small numbers, which would not entitle them to any representation in the Constituent Assembly on the basis of the mission's basic intention to allot one member for 1 million of the population, the Europeans enjoy, under the existing constitution, a weighted representation in the Bengal and Assam Assemblies. Under the operation of proportional representation, this is likely to give them six seats for the Constituent Assembly for the north-eastern group. As the balance of parties in this group is likely to be delicate, the Congress seem to be anxious that the Europeans should not be in a position to hold the balance.

3. The Congress also raised the question of the representation of the States' people in the Constituent Assembly, and the status and powers of the interim Government. The interim and the final positions should, they said, be looked at as part of the same picture, and they preferred to defer their decision till the complete picture was available.

4. Soon after, the Cabinet delegation and the Viceroy issued a joint statement in reply to the points raised by both the Muslim League and the Congress. On the major points raised by the Congress Working Committee, they said that the interpretation which the Congress put upon the scheme for grouping (that it was for the province to decide both initially and ultimately) did not express the intention of the delegation; that the fact of European representation in the Constituent Assembly was a result of the system of voting, and it was for the Europeans to consider whether they should take advantage of it; that the method of appointing the representatives of the States in the Constituent Assembly was a matter for discussion with the States and not for decision by the delegation; and that, while the interim Government would continue under the existing constitution, it would be on a new basis. His Majesty's Government would recognise the effect of these changes, would attach the fullest weight to them and would give to the new Indian Government the greatest possible freedom in the exercise of day-to-day administration. The delegation also said the cession of sovereign powers to the Indian people was subject to two conditions, which they believed were not controversial, namely, the making of adequate provision for the protection of minorities, and willingness to conclude a treaty with the British Government to cover matters arising out of the transfer of power.

5. The next event of importance was the assembling of the Muslim League Working Committee and Council early this month. The council, to which the matter was remitted by the Working Committee, agreed by a large majority to work the Cabinet delegation's statement on the assurance of Mr. Jinnah that it contained the foundations of Pakistan. The resolution passed by the council reiterated the League's goal of a separate sovereign Muslim State, and declared their intention to change their attitude if at any time it appeared necessary in the light of developments. Subject to this, the council accepted the scheme, and Mr. Jinnah was authorised to negotiate with the Viceroy about participation in the interim Government. It was reported that the council's acceptance of the Cabinet delegation's proposals was given on the understanding that the Muslim League would press for equal representation with the Congress in the Executive Council.

6. The Congress Working Committee, which had dispersed in the meanwhile, reassembled on the 9th June, and at once began negotiations with the delegation. At this stage the committee laid more stress upon the nature of the interim Government than upon the long-term arrangement. After prolonged

deliberations, and negotiations with the Viceroy and the members of the delegation, the Congress Working Committee wrote to the delegation setting out all the various objections and conditionally rejecting the delegation's proposals. The points raised at this stage were, in relation to the long-term aspect, the compulsory grouping of provinces, and the voting rights of Europeans. In regard to the interim arrangement the committee totally rejected the suggestion of "parity" of numbers between representatives of the Congress and the League. Even at this stage the committee's rejection of the proposals was tentative and conditional. In order to prevent the negotiations from breaking down on the issue of European representation, the Europeans in the Bengal Assembly agreed at this stage to refrain from putting up candidates of their own to the Constituent Assembly, and to exercise their votes according to any agreement reached between the two major parties. Finding that there was little chance of mutual accommodation being reached between the two major parties, the delegation and the Viceroy again indicated a way out in their statement of the 16th June. It was announced in this statement that the new Executive Council would comprise fourteen persons (who were mentioned by name), exclusive of the Viceroy, of whom six were to be Congressmen (including a representative of the Scheduled Castes), five Muslim Leaguers, one Sikh, one Indian Christian and one Parsi. All the suggested Muslim members belonged to the League, and all the Congress members were Hindus. One feature of the delegation's list was that it contained the names of the top-ranking leaders both of the Congress and the Muslim League, both Mr. Jinnah and Mr. Nehru having been included. The announcement also stated that the distribution of seats suggested would not be treated as a precedent for the future, and that if any party or person invited did not agree to join, the council would be constituted from among those willing to do so. Invitations had already been sent by the Viceroy to these persons, but it was made clear that if any of them found himself unable for personal reasons to assume office, his place would be filled by the Viceroy after consultations. The delegation hoped that the new Government could be formed by the 26th June; it was also intended to go ahead with the preparations for the formation of the Constituent Assembly without delay. While neither the Congress nor the Muslim League have officially come to any decision, the reactions of the press towards the delegation's new offer are not unfavourable.

7. The Princes and Ministers who had also been considering the Cabinet delegation's statement, decided that it furnished a good basis for negotiation, and proceeded to set up committees for that purpose.

8. The Sikhs have, however, been much disturbed by the delegation's proposals, which would, they say, leave them without sufficient safeguards against a Muslim majority in the Punjab and in the North-West group. In the beginning of the second week of June the Sikhs held a "Panthic" gathering at Amritsar, which is their holiest place. After expressing severe criticism against the delegation's scheme, they appointed a Committee of Action under a former officer of the "Indian National Army."

9. In some of the States, notably Kashmir and Faridkot, there has been some evidence of unrest among the people, and Mr. Jawaharlal Nehru has been taking a great deal of interest in them. Early in June the Standing Committee of the States' People's Conference met at New Delhi (Mr. Nehru being chairman), and passed resolutions demanding a voice for the people of the States in the determination of the future constitution and protesting against the "repressions" in some of the States.

10. There has been a slight improvement in the prospects of food supply after Mr. Morrison's visit to the United States, but the horizon is overcast with the threat of a general strike by the railwaymen to take effect towards the end of the month.

11. Indian opinion has been greatly stirred by the enactment by the South African Parliament of the Asiatic Land Tenure and Indian Representation Bill which has already been mentioned in earlier numbers. There is great sympathy for the Indians who have decided to carry on a passive resistance movement against the new measure. The Government of India have recalled the Indian High Commissioner in South Africa as a protest against the Union Government's continued attitude of indifference to their representations.

[W 7856/560/68] (7)

Confidential Appreciation of the Political Situation in India, No. 7 of 1946, dated 18th July, 1946.

(Secret.)

At the end of June the Cabinet delegation left India after a stay of more than three months. Although complete success did not attend their efforts, the progress made was, in the conditions of the Indian problem, gratifying. The task of the Cabinet delegation in India had two aspects: the long-term one and the interim one. Of these the long-term problem, which is fundamentally the more important and difficult, was the subject of the recommendations made in the delegation's statement of the 16th May. These were accepted by the Muslim League and the princes quite early, but the Congress at first withheld their decision on the ground that the complete picture, that is, including the proposals for the interim arrangements, was not available. The interim aspect of the picture was provided by the delegation's statement of the 16th June.

During the ten days that followed the publication of the second statement, the Cabinet delegation and the Viceroy carried on intensive negotiations with the Congress and the Muslim League on the subject of an interim Government. The Sikhs rejected the interim proposals, as they had rejected the long-term plan, and refused to let their representative join the Executive Council. The Congress raised various objections to the delegation's proposals, but the most important of these was the question of including a Congress Muslim in the new Government. On the 18th June the Congress had virtually decided to record their protest in principle and accept the scheme suggested. But the next day a letter which Mr. Jinnah had written to the Viceroy demanding, among other things, that the communal composition of the proposed council should not be altered without his consent, and that no Muslim who did not belong to the league should in any circumstances be included in the Government, received unauthorised publicity. The Congress now felt bound to insist, in the interests of its claim to be a non-communal organisation, that it should have unfettered right to nominate to the Executive Council any person it liked from within its allotted quota. On the 25th the Congress Working Committee passed a resolution rejecting the proposals for the formation of the interim Government, but accepting the recommendations for the setting up of a Constituent Assembly in the Cabinet delegation's statement of the 16th May. This acceptance was not qualified by any conditions, but the Congress reserved the right to proceed upon the basis of its own interpretation of the statement regarding, for instance, the grouping of provinces.

This created a new situation. In the statement of the 16th June relating to the formation of the interim Government, there was a paragraph which declared that, "in the event of the two major parties or either of them proving unwilling to join in the setting up of a coalition Government on the above lines, it is the intention of the Viceroy to proceed with the formation of an interim Government which will be as representative as possible of those willing to accept the statement of the 16th May." The position now was that, since both the Congress and the Muslim League had agreed to accept the statement of the 16th May, an interim Government had to be formed with the participation of both. But in view of the prolonged and wearisome negotiations which had already taken place, it was decided that further negotiations should be undertaken after the elections to the Constituent Assembly had been completed, and that, in the meanwhile, the administration should be carried on by a stop-gap "caretaker Government" made up of officials. An announcement to this effect was issued on the 26th June, and the new Government took office on the 4th July.

These developments were very unpalatable to the Muslim League, which had expected to be called upon to furnish the predominant part of a new Executive Council, and bitter statements were issued by the Muslim League leaders and representative organs. The view urged in one of Mr. Jinnah's statements that there had been a breach of faith with the Muslim League was firmly controverted by the Viceroy in correspondence which was also published. A very lively controversy thus started, which has not yet died down.

One of the objections of the Congress to the Cabinet delegation's proposals for the Constituent Assembly was the right which, quite undesignedly, the Europeans in Bengal and Assam Assemblies acquired to vote for the election of representatives. Early in July the European members of the Bengal Legislature declared their willingness not to participate in the election, and a similar decision was later taken by the European members from Assam. However

satisfactory these decisions were to the Congress, they were displeasing to the Muslim League, which had from the beginning urged that the Europeans should retain and exercise their formal rights.

On the 6th July the action taken by the Congress Working Committee was submitted for ratification to the All-India Committee at Bombay. At this session Mr. Jawaharlal Nehru took over the presidentship, to which he had been elected a couple of months back. Strong opposition to ratification was expressed by the Socialists, among whom the most prominent were the Congress workers who had organised campaigns of sabotage after the Congress leaders had been arrested in 1942. But the influence of Mr. Gandhi and the leaders of the Working Committee was able to carry the day and the official motion was adopted by 251 votes to 54. Mr. Nehru, both from the chair and in subsequent public statements, declared that the Congress was committed to nothing more than participation in the Constituent Assembly, and that, if this did not lead to the desired results, there was nothing to prevent them from resorting to other methods, including another struggle if necessary.

These events appear to have perturbed the leaders of the Muslim League, who have decided to call another session of the Muslim League Council (corresponding to the All-India Committee of the Congress), also at Bombay, towards the end of July, to consider the new situation which had arisen. They consider that, in view of what they call the Congress attempts to upset the basis of the scheme for the future by claiming sovereign status for the Constituent Assembly, there should be a new official statement clarifying the conditions and procedure by which the Constituent Assembly must abide; otherwise they foreshadow the possibility of the Muslim League deciding not to participate in the Constituent Assembly.

Meanwhile both the parties are going ahead with preparations for the elections to the Constituent Assembly. The Congress has attempted to provide a broad basis for the Assembly by nominating some eminent non-Congress men of letters and professions as well as representatives of the Anglo-Indians, Indian Christians, members of the tribal population and women. The first election, in Sind, is already over and has resulted in the return of a Congress Hindu and three Muslim Leaguers, of whom two are Ministers. From Assam have been returned three Muslim Leaguers and seven Congress candidates. From the Frontier Province one Muslim Leaguer and two Congress men (including Maulana Azad, who has just demitted office as Congress president) are likely to be returned. In the Punjab the Sikh Communal Organisation called the "Panthic Board" decided not to participate in elections to the Constituent Assembly, but subsequently Sikh candidates filed nominations at the instance of the Congress president. Following further consultations these nominations were withdrawn later. All the election results are expected to be available before the end of July.

The uncertainties of the future constitutional position have had their effect in the Indian States also, in several of which popular agitation has led to disturbances. An agitation in Kashmir involved Mr. Nehru in a collision with the State authorities, who refused him entry into the State, and this led to his detention for a couple of days. Mr. Jinnah is at present on a visit to Hyderabad, where he is apparently trying to consolidate the Muslim interests.

The passive resistance campaign in South Africa is watched in India with great interest and sympathy, and the decision of the Government to refer the dispute to the United Nations Organisation has given general satisfaction. The Government have prohibited exports to South Africa and the import of goods to India from that country. The difficulties of the Indian workers in Ceylon are very much before the public eye; the Congress Working Committee has recommended that the strike of the estate labourers should be called off, and has also appointed a committee to consider the position of Indians in Ceylon in all its aspects.

Evidence of labour unrest is provided by the strike of postmen now in progress, and by strikes in several textile and other factories. A commission appointed by the Government to consider the question of revising the pay and other conditions of service of Government employees has commenced its sittings.

Thanks to the better prospects of imports from the United States and the East Indies, the food situation showed some improvement, but severe floods in parts of Bengal and Assam may bring about some deterioration. An unofficial mission from the United States which recently visited India to study the food problem at first hand has testified to the efficiency with which the food control policies are being worked by the various Governments in India.

[W 8882/560/68] (8)

Confidential Appreciation of the Political Situation in India, No. 8 of 1946, dated 19th August, 1946.

THE Council of the All India Muslim League met at Bombay on the 27th July, as arranged. Mr. Jinnah opened the proceedings in a long speech in which he reviewed the course of the negotiations with the Cabinet Delegation and criticised the part played by the British Government and the Congress. He said that it was clearly impossible for the League to repose any confidence in the British Government any more; the League had gone to the limit of concession, but the other parties had shown no appreciation of the sacrifices it had made; they had, therefore, no alternative but to adhere once more to the national goal of Pakistan. Thereafter the members of the council expressed their views; most of them followed the lead given by Mr. Jinnah, and even those who wished to counsel moderation considered it wise to express themselves cautiously in the face of the general feeling of the House. An official resolution, drafted by the executive, was then placed before the council and passed without dissent. This stated that in accepting the long-term plan of the Cabinet Delegation the League had been influenced by the assurance given to its president that there would be five members each belonging to the Congress and the League in the Interim Government along with two members representing the minorities. The Cabinet Delegation went back on this assurance, and when the League accepted the arrangements proposed in the delegation's statement of the 16th June, and the Congress rejected them, they refused to let the League form the Government, thus committing a breach of faith. The resolution held that the Congress had not, in fact, accepted the long-term plan of the delegation as was evidenced by their resolutions about grouping, and that, therefore, even according to the interpretation which the delegation put upon the disputed passage in their statement of the 16th June, the Congress was not eligible to participate in the formation of the Interim Government. The resolution pointed to the terms of the Congress resolution and the statements of its former president Maulana Azad and the new president Pandit Nehru in support of the contention that the Congress, relying upon its majority, intended to upset the clear intentions of the delegation's scheme in regard to the grouping of provinces and to make the Constituent Assembly function as a sovereign body, that is, unfettered by any basic limitations of function or procedure. On this point, the Secretary of State and Sir Stafford Cripps had been content to say in the recent debate in Parliament that for any party to go beyond what had been agreed to would not be fair to the other party. The Muslim League Council therefore felt that their interests would not be safe in the Constituent Assembly and decided that the acceptance of the scheme contained in the Cabinet Delegation's statement of the 16th May, should be revoked.

Another resolution of the council authorised the executive to draw up a plan of direct action and called upon all members of the League to renounce any titles which they had received from the Government.

It should be pointed out that both Mr. Jinnah's speech and the resolution, which express the same ideas, contain a number of inaccuracies. For one thing Mr. Jinnah was never given an assurance that the ratio of 5:5:2 would be adhered to in the composition of the Interim Central Government; it was merely suggested as a basis for discussion, and this has been pointed out to Mr. Jinnah more than once in the course of the published correspondence. Mr. Jinnah had also been informed, before the Muslim League Working Committee decided to accept the statement of the 16th June, relating to interim arrangements, that, with the acceptance of the long-term plan by the Congress, and their rejection of the interim arrangements, the Viceroy considered that in the light of paragraph 8 of the statement of the 16th June, he was clearly bound to make a new attempt to form a Government representative of both the major parties, since both had accepted the statement of the 16th May.

Mr. Jinnah explained at a press conference that the resolution about "direct action" had been intended to provide the Muslim League with sanctions in the same way that the British Government and the Congress had the means to enforce their views, the one by armed might and the other by mass action. He also indicated that the decision of the council was not necessarily irrevocable. The Muslim League Working Committee fixed the 16th August for holding mass meetings to explain its decision, and the Provincial Governments of Bengal and Sind (where the Muslim League is in power) declared the date a public holiday.

There was a pronouncement by Mr. Jinnah asking Muslims not to resort to violence, published too late to counteract the effect of many earlier intemperate speeches of League leaders. The "Direct Action Day," as it was called, passed off fairly quietly in most parts of India, but in Calcutta there were disturbances with heavy loss of life and property. The nature of the "direct action" which the Muslim League has threatened to take is not clear, but there is apparently no intention of withdrawing ministries according to the Congress example. The Premier of Bengal has, in fact, explained that direct action might involve the "revolt" of Bengal and the repudiation of the authority of the Centre.

The decision of the Muslim League was widely regretted. Congress leaders explained that their objection was not to the principle of grouping, but to grouping being forced upon a province by the weight of majority of a bigger province placed in the same section; and that the use of the expression "sovereign" in relation to the Constituent Assembly implied not that the Assembly would be unfettered by any conditions and would be free to make its decisions by majority vote, but that it would not be subject to control from any external authority. The Congress Working Committee met on the 8th August, and passed a resolution expressing regret at the Muslim League decision, and appealing for the League's co-operation. The resolution explained that, although the Congress did not approve of all the proposals in the statement of the 16th May, they accepted the scheme in its entirety. They interpreted it so as to resolve the inconsistency contained in it and fill the omissions in accordance with the principles laid down in the statement; the question of interpretation would be decided by the procedure indicated therein. The resolution also made it clear that although the Congress had emphasised the sovereign character of the Constituent Assembly, the Assembly would function within the limitations inherent in its task and would further seek the largest measure of co-operation in drawing up the constitution of a free India, allowing the greatest measure of freedom and protection for all just claims and interests. This resolution, however, did not satisfy Mr. Jinnah. In a long statement issued soon after, he came to the conclusion that the latest resolution of the Congress Working Committee was a repetition of what had been the Congress stand from the beginning, expressed in a different language and phraseology. For instance, it reiterated the repudiation of grouping and emphasised once more the sovereign character of the Constituent Assembly which meant that it would not be bound by anything laid down in the statement of the 16th May, and would be free to decide every question by a majority. And he concluded that "the situation remained as it was and we are where we were."

It was provided in the Cabinet Delegation's statement, of the 16th June, that in the event of one or both of the two main parties being unwilling to accept the proposals contained in it, the Viceroy would endeavour to form an Interim Government which contained as far as possible representatives of those parties who accept the long-term plan. With the withdrawal by the Muslim League of its acceptance of the long-term plan, the Congress alone remained qualified for participation in the Interim Government. In these circumstances the Viceroy invited that party to make proposals for the formation of a new Government. The Viceroy's letter aroused considerable enthusiasm in Congress-Hindu circles, and the eloquent appreciation of Mr. Gandhi. Pandit Jawaharlal Nehru accepted the offer after consultation with the Working Committee. He at once communicated with Mr. Jinnah, stating the position and asking for the co-operation of the Muslim League. Mr. Jinnah apparently took it as an affront that a commission to form the Government should have been given to the Congress. However, he agreed to have a discussion with Mr. Nehru; but this did not lead to an agreement. At a press conference held on the 16th August, Mr. Nehru said that co-operation in the formation of the Government was being offered to the Congress by all parties except the Muslim League. The Congress would go ahead with the formation of the Government, subject of course, to other conditions being satisfactory after his interview with the Viceroy.

After the Sikhs had withdrawn their nominations to the Constituent Assembly elections in the Punjab, the Congress has been making efforts to persuade them to reconsider their decision. At the recent session of the Congress Working Committee, a resolution was passed recognising the grievances of the Sikhs, and promising to do everything possible to remedy them, but at the same time appealing to the Sikhs to enter the Constituent Assembly in their own, as well as the general, interest. The central organisation of the Sikhs has, in consequence, decided to participate in the Constituent Assembly.

The strike of the postal employees, which began in the second week of July, has been called off after successful negotiations in which prominent public men participated. The success of this strike has encouraged the wave of minor strikes overrunning the country. The control of labour lies mainly in the hands of Communists and Congress Socialists. J. P. Narain is consistently preaching that labour must organise in order to paralyse the Government.

In spite of the efforts made by the authorities in India and the assistance obtained from abroad, the food situation still remains critical. The position was recently reviewed at a conference of provincial food Ministers held at Delhi, at which a resolution was passed against any lowering of the ration. The situation in parts of Bengal and Bihar and in Madras and Bombay is difficult. But one small comfort in the present situation is that the food agreement between India and the nationalists of Java is at last being implemented. A food mission to the Argentine, headed by Diwan Chamanlal, a prominent Congressman of the Punjab, is now in the United States.

There was considerable damage by floods in Chittagong and some islands in Bengal, and relief had to be rushed by means of aircraft.

On the 22nd June a gang of Shabi Khel Mahsuds in Waziristan kidnapped the political agent of South Waziristan and his personal staff, who were subsequently released as a result of political pressure exercised through the Mahsud tribe as a whole. The kidnapping section of the tribe were ordered to pay a fine and to give hostages for future good behaviour, and on failure to do so are being subjected to air and artillery bombardment. The rest of the Mahsud tribe have shown no sympathy for the Shabi Khel and so far have kept themselves aloof from them.

In Bengal almost all (twenty-nine) of the remaining terrorist convicts have been released by the Ministry. Twenty-five of the twenty-nine were, however, eligible to be released in the ordinary course.

The Legislatures in Bihar and the United Provinces have passed resolutions in favour of abolition of "Zamindari," followed in the latter province by a general resolution adopting nationalisation of all capitalist industries as the goal.

[W 10006/560/68]

(9)

Confidential Appreciation of the Political Situation in India, No. 9 of 1946, dated 21st September, 1946.

THE Bombay resolutions of the Muslim League calling upon Muslims to observe the 16th August as "Direct Action" Day were followed almost every big town by the taking out of processions as a demonstration, and the holding of meetings at which the league's resolutions were adopted, and the meaning of direct action explained. Amongst those who attended the Bombay meeting there was a small section who had misgivings about the wisdom of the decision taken, and about the state of the league's preparation for direct action. These were, however, overruled. The need for non-violence and strict discipline was stressed, and the Bengal and Sind Ministries declared the 16th a public holiday. The league's general secretary declared that Muslims would oppose the functioning of the Congress Interim Government, and the Prime Minister of Bengal, while asserting that the league had not banged the door on settlement, held out the threat of a declaration of independence by Bengal. The Muslim press came out almost daily with articles calculated to encourage defiance of law and authority and to create hatred for the "capitalist Hindu and imperialist British" combination, and gave prominent place to lists of Muslims who had renounced titles conferred by Government.

The sequel to all this was the unprecedented holocaust in Calcutta. For over four days from the 16th August, riots, murder, arson and pillage were rampant. Property worth several crores was burnt or damaged, and nearly 5,000 lives lost, while the number of those injured was in the neighbourhood of 15,000. The causes of the outburst of communal frenzy, the loss of life and property which Calcutta suffered, the action taken to suppress lawlessness and other questions concerned with the whole course of events will be the subject of inquiry by a special tribunal which the Bengal Government are setting up with the Chief Justice of India as president. Meanwhile, both communities are indulging in

recrimination. The Prime Minister and leaders of other communities in Bengal, however, have co-operated in restoring peace and goodwill. People were advised to form peace and self-protection committees.

Opinion against the Muslim League Ministry in Bengal was so strong, that it seemed that only a coalition Government could restore public confidence. The Bengal Premier was apparently convinced that a coalition was necessary, and against the wishes of the majority of his party, who favoured a Cabinet reshuffle, went to Bombay and put his proposals to Mr. Jinnah. Mr. Jinnah was not prepared to agree, however, and since the league party in Bengal Assembly has now been strengthened by the re-entry of Mr. Fazlul Huq (a former Prime Minister) and three of his supporters, thereby giving the Government an absolute majority, there appears to be little likelihood of a coalition materialising.

While peace is gradually returning to Calcutta, several communal incidents have been reported from Dacca and Chittagong. What happened in Calcutta on the 16th and following four days was only to be expected from the undermining of respect for law and order that had been going on for some years. It was also feared that the blood-curdling stories spreading from Calcutta would have serious repercussions upcountry. Fortunately, owing to the precautions taken by the authorities and the shock produced by the Calcutta happening, coupled with party leaders' appeal to the people everywhere to keep cool and not to endanger communal peace, nothing very serious happened anywhere else. *Id ul-Fitr*, which marks the end of Ramzan, the month of fast and prayer, was celebrated in peace (on the 29th August) all over the country.

League circles were most indignant at the Viceroy's invitation to Nehru to make proposals for the formation of an Interim Government. Appeals to the league from all parties were of no avail. The formation of the Interim Government therefore proceeded without Mr. Jinnah's co-operation. Out of the fourteen seats in the Cabinet, six have gone to the Congress non-Muslims, including a representative of the Scheduled Castes, three to Congress or Nationalist Muslims and three to representatives of other minority communities, while two have been kept unfilled. In his broadcast on the 24th August, after referring to the very momentous step forward taken on India's road to freedom, the Viceroy said that it was a coalition Government in which both the main parties were represented that was needed in the interests of all parties and communities in India, adding that this was the view of Nehru and his colleagues, and their efforts would still be directed to persuading the league to join the Government. He assured the league that they need have no fear of being outvoted on any essential issue if they joined the Cabinet and accepted five seats out of fourteen; and promised to see that the most important portfolios were equitably shared. He further declared that he would give the new Government the maximum of freedom in the day-to-day administration of the country, while in the field of provincial autonomy where Provincial Government had a very wide sphere of authority, the Central Government would not intervene. While several leading Muslims felt that the Viceroy had thus met the essential demands of the Muslim League, Mr. Jinnah remained unmoved. The Caretaker Government went out, and the new Interim Government came in on the 2nd September. Assuming office, Nehru announced that he and his colleagues would function as a Cabinet, and he appealed for co-operation from every Indian. The league's response, however, was a show of black flags and intensified resentment.

On the eve of the Government's assumption of office one of the new members, Sir Shafaat Ahmad Khan, was the victim of a murderous assault, and the hooligans and mischief-makers of Bombay, taking advantage of the tension caused by the flying of black flags by leaguers and Congress flags by their opponents, started trouble, and Bombay soon became a miniature Calcutta. As a reply to the non-Muslim demand for the resignation of the League Ministry in Bengal and an impartial inquiry into the "Great Calcutta Killing" (as the *Statesman* describes it), Muslims hold the Congress Ministry in Bombay responsible for the stabbings still going on in that city, and demand a similar inquiry.

While Nehru invited those who differed from Congress to enter the constituent Assembly as equals and partners with no binding commitments, Jinnah complained "that the league has been ignored and by-passed, and the Viceroy and British Government have surrendered to the Fascist caste-Hindu Congress. I have been stabbed and kind words alone cannot heal the wound" and he asked for concrete proposals. On one important issue in dispute, Nehru has given the assurance that Congress has accepted the position of sitting (when the Constituent Assembly meets) in sections which will consider the question of formation of

groups. As a result of Jinnah's expressed willingness to join in fresh discussions in England if invited, coupled with the league committee's studied delay in declaring what "direct action" means and when it is to start, there is some hope that another attempt at bringing about a Congress-League rapprochement may succeed. Of the provinces with a Muslim majority, the Punjab is carrying on with a weak coalition Ministry of non-league Muslims, Hindus and Sikhs that has not been able to put through any useful legislation or begin any important post-war development programme. The League Ministry in Sind, which so far has with difficulty managed to remain in office with support from the European members of the Assembly, was at last reduced to the expedient of asking the Speaker to resign on promise of a ministerial portfolio to avoid defeat. With the resignation of the Speaker, the Government Party had a majority of one, since the Deputy Speaker was a member of the Opposition. The Deputy Speaker also resigned, and then the only alternatives were a dissolution followed by fresh elections which might lead to the formation of a stable Ministry, or a period of Section 93 Administration. The Assembly was in fact dissolved on the 12th September.

The recent acute communal tension in Bengal caused some anxiety as to how some of the officials there would react, but happily the police and magistracy everywhere have so far been commendably steady.

Many of the large number of recent strikes are believed to be due to the instigation of Communists, whose only object seems to be to stir up disorder and keep Government in constant difficulties.

One after another, Ministries in several Congress Provinces took up with their Governors the question of the recruitment of Subhas Bose's ex-Indian National Army personnel to the police and other services. Due to the firmness of the Governors and proper guidance from Congress High Command the Ministers are accepting the position that these men cannot be recruited to the police. Similarly, in regard to the question of alleged 1942 "atrocities" committed by public servants, it has been made quite clear to Provincial Ministries that there will be no general inquiries. If a *prima facie* case on reliable evidence is made out against individual Government servants, the Governors will consider whether, on the material before them, there is any justification for pursuing the matter by means of a regular inquiry. The Ministries seem, however, to be against implementing the promises made during the war reserving a percentage of vacancies in civil services for men who served the various defence services.

The firm and prompt action taken by the Bombay Ministry in dealing with the situation first in Ahmedabad (where stray cases of stabbing are still occurring), then in Amalner and more recently in Bombay City, the strength shown by the Ministry in the Central Provinces in disposing of the Scheduled Castes Party in Nagpur who wished to imitate the Muslim League, and the prompt action taken in the United Provinces against an influential member of the Congress Party who was encouraging a strike by conservancy staff in a certain municipality, considered along with the circulars issued in Bihar, Orissa and other provinces asking the magistrates and police to deal firmly with any outbreak of communal trouble and promising full Government support to any lawful action taken, show that the Congress is prepared to take a strong line.

It seems Congress have lifted the ban on social intercourse with heads of Government. Congress members of the Viceroy's Interim Government have accepted the Viceroy's hospitality. Similarly, in Bombay and Orissa, Ministers have accepted the Governors' social invitations.

Madras has decided to introduce prohibition in eight districts, and other provinces, such as the Central Provinces, United Provinces, Bihar and Orissa, are likely before long to introduce prohibition on a fairly extensive scale.

On the whole the monsoon has been favourable, although the *bajra*, *jowar* and other millet crops suffered in Sind, Rajputana, parts of the United Provinces and North-West Frontier owing to the scarcity of water earlier in the season. The prospect for the winter paddy crop is good. The food position is serious in Madras, where the rice quantum in the total ration has been further reduced, in Travancore and some Deccan States with their dangerously low stocks, and it is almost equally unsatisfactory in Bengal and Bihar. In Calcutta during the riots the daily ration had to be cut down as supplies stopped coming in.

A settlement of the Shabi Khel incident is in sight. After a month of intermittent bombing, the Shabi Khel have offered to guarantee payment of fine inflicted on the Bromi Khel section and compliance by the latter with other conditions imposed by the Government. Air proscription has therefore been suspended. Confirmation is awaited of a satisfactory settlement.

The idea of forming a union has been accepted by the Eastern States, and is finding favour with the States' people in Kathiawar, as a union will enable them to send an independent representative to the Constituent Assembly. Gandhi has, however, disapproved the proposal for a union of the Deccan States. The Prajamandals (State peoples' association) generally show signs of activity and the movement for reforms is growing. The rulers of most States are promising introduction of reforms. The Maharaja of Cochin's promise of responsible government has earned the commendation of Nehru. Bikaner's promised reforms have not attracted much notice. The Nizam's scheme, on the other hand, has been condemned by Nehru and the Congress Working Committee.

[W 10942/560/68]

(10)

Confidential Appreciation of the Political Situation in India, No. 10 of 1946, dated 22nd October, 1946.

(Secret)

AS Vice-President of the Cabinet and Member for External Affairs, Pandit Jawaharlal Nehru, soon after assumption of office, proceeded to indicate the Interim Government's policies. Broadcasting on 7th September, he explained "The Interim National Government is part of a larger scheme which includes the Constituent Assembly. We assure that the Interim Government do not look upon it as an arena for conflict or forcible imposition of one viewpoint over another."

Referring to Russia, he said: "To this great nation of the modern world which, like America, carries vast responsibility of shaping world events we send greetings. They are our neighbours in Asia and inevitably we shall have to undertake many common tasks and have much to do with each other." To Britain he gave the assurance that "in spite of our past history of conflict we hope that an independent India will have friendly and co-operative relations with England and countries of British Commonwealth." As regards tribal areas, Nehru declared that tribal policy affected the whole of India. "The Congress would endeavour to maintain brotherly and friendly relations with tribal people who are our own kith and kin and not foreigners." As for the programme of Interim Government, Nehru reiterated that it would be in accordance with past declarations of Congress, the object of which is to bring relief to the common man and raise his standard of living. In the first month of its existence the Interim Government has done more than indicate its policy on vital matters like food and economic controls; it has decided to launch three great power and irrigation projects, long under consideration, namely, the Damodar, Mahanadi and Kosi river schemes. On the advice of Gandhi it is seriously considering the abolition of the duty on salt.

The Congress Working Committee's resolution agreeing to form a Government at the Centre received overwhelming support at meeting of the All-India Congress Committee, and a resolution was also passed permitting members of Interim Government to continue as members of the Working Committee or any other body of Congress.

Discussions held in Delhi by a Special Committee of the Muslim League suggested that small groups of Leaguers should be sent round the provinces to study the situation, and submit reports as to the form of "direct action" suited to each area. There was thus no likelihood of the League's launching direct action for some time. Like Congress, the League is anxious to enlist the sympathy of Russia, which, according to Jinnah, has more than a spectator's interest in Indian affairs. Yusuf Haroon, president of Sind Muslim League, flew to Paris to canvass the support of the Soviet Foreign Minister and others for bringing the Indian Muslims' claim for Pakistan before the United Nations Assembly.

The League has strengthened its position in Bengal. The no-confidence motions relating to the Calcutta disturbances moved in the Provincial Legislature by Congressmen were heavily defeated, the League receiving support from the Scheduled Castes' representatives and the Fazlul Huq group, while the European representatives remained neutral. In Sind, following the dissolution of the Legislature, the four Ministers who had resigned were reappointed, and both the official League and Syed groups have decided to contest all Muslim seats in the elections, which have been fixed for 2nd December. In the North-West Frontier Province and Punjab the Muslims have been nursing a sense of frustration and

the Hindus have exhibited both panic and occasional arrogance. In Sind also, Hindus are frightened. Fortunately there have been no serious communal disturbances in Sind, the North-West Frontier Province or the Punjab in spite of considerable propaganda in the press, public meetings and at mosques. In the Punjab the League failed to wean the Premier, Sir Khizar Hayat Khan, away from the leadership of the Coalition Party.

The assumption of office by the Congress on 2nd September provided the occasion for the communal tension in Bombay, which had been growing in volume ever since the outburst in Calcutta, to snap and a campaign of stabbing started which has not ended yet, though the situation has been handled firmly and kept under control. There was a revival of trouble in Ahmedabad also. Gangster tactics were employed at both places. Lethal weapons have been seized in transit to places in Bombay, Central Provinces and elsewhere from Upper India. The situation was so delicate that with the slightest provocation relations between the two major communities at once deteriorated. Disorder reappeared in certain other parts of the country after a brief respite. In Bengal, despite Suhrawardy's appeal for peace and declared decision to prevent disturbances, conditions in the east of the province, particularly Dacca, were disturbed, while in Calcutta stabbing cases continued to occur.

Vigorous efforts are being made by the police to arrest those concerned in disturbances and to round up the Goonda element in Calcutta. Efforts have also been made to establish Peace Committees, and to muster public opinion in favour of the maintenance of communal harmony. All interested parties are preparing to give evidence before Calcutta Riots Enquiry Commission. In Bombay leaders of both communities issued separate appeals for peace but did nothing to make the appeals effective. The Ministry are most anxious to show that they can preserve public order and that all communities are as safe under a Congress Government as they ever were. Congress regard the disturbances as political rather than communal.

Under Hindu Mahasabha and Arya Samaj influence, communal bitterness is producing economic attack on Muslims. The Mahasabha expressed misgivings that by working on the nerves of Viceroy and Nehru, Jinnah would succeed in securing the compulsory grouping of provinces, which, in Hindu opinion, means Pakistan in another form. The Working Committee of the Mahasabha urged Government to declare the League illegal if it continued to pursue unconstitutional methods. A direct result of the communal tension is growth of communal organisations like the Rashtriya Swayam Sevak Sangh and the Muslim National Guards in most provinces. The general feeling was that the only thing which would relax communal tension was a settlement at the centre.

While communal disturbances and tension continued, the Provincial Governments were strengthening their hands by actually taking enhanced criminal powers, and by better disposition of their available police forces, or were preparing emergency legislation. In Bengal an ordinance was promulgated banning the publication, printing and distribution of news relating to communal riots in the province other than reports supplied by the Government Publicity Officer, or reports approved by the Provincial Press Advisory Committee. The Hindu section of the Bengal press showed its disapproval of the Government's decision by suspending publication for a time.

Learning a lesson from recent communal disturbances, the Ministries in provinces like Bombay and C.P. seem to be fully determined to do their best to maintain law and order. They do not propose to give the Left wing, and particularly the Communists, any rein. The same can be said of the U.P. Ministry. Ministries have armed themselves with legal powers to deal with the Goondas, so largely responsible for the stabbings in the larger towns. Provocative articles in the press are also receiving attention. Faced with serious communal trouble or tension, the Bengal and C.P. Legislatures passed pending budget demands without much objection. *Satyagraha*, started by Scheduled Castes Federation, was handled successfully by the Ministry both in C.P. and Bombay. The Punjab Coalition Ministry's main interest has been its own survival, and the reconstituted League Ministry in Sind has declared that, pending the general elections, it will function merely as a Caretaker Government maintaining law and order and not touching any new administrative or legislative matters. Congress Ministries generally interested themselves in repayment of fines levied, and reinstating public servants who had been removed from service for one reason or another in the 1942 disturbances.

Conversations between Jinnah and the Viceroy regarding the League's participation in the Interim Government and Constituent Assembly began on 16th September and had not concluded by the end of the month. The Nawab

of Bhopal, Chancellor of the Chamber of Princes, had discussions with Jinnah, Gandhi and Nehru with the object of concluding a Congress League settlement and so bringing the League into the Interim Government. The nationalist press frequently pointed out that a coalition with the League might result in the destruction of the present Congress Cabinet system by which alone they feel that decisions beneficial to masses are ensured. In the provinces there is generally an alarming amount of hatred on both sides, and an almost entire absence of mutual trust so far as the politically active sections of the people are concerned. There was no great expectation of a happy outcome of the Delhi discussions, although all parties admired the patience and perseverance of the Viceroy and the Nawab and wished them success.

Rationing has been extended to more towns in the Punjab, U.P. and Bihar. The summer rains ended early in the Punjab and other northern areas when more rain was still urgently needed for the standing crops. There was widespread rainfall in Bihar, which has done some damage to maize but has helped the paddy. The imports and food stocks position generally got worse, but winter crops promise to be good almost everywhere. The continued disturbances in Bombay and Ahmedabad have adversely affected the manufacture and supply of cloth. There was considerable improvement in the labour situation, most of the strikes to which reference was made in the previous appreciation having either collapsed or been called off.

[W 11979/560/68]

(11)

Confidential Appreciation of the Political Situation in India, No. 11 of 1946, dated the 20th November, 1946.

THE political negotiations to which reference was made in the last Appreciation proceeded against a background of communal disturbances in the provinces. The Viceroy's conversations with Mr. Jinnah and Pandit Nehru, and the efforts of the Nawab of Bhopal to bring about a League-Congress Coalition Government at the centre, did not succeed. The main obstacles to an agreement were two: the inclusion of a non-League Muslim in the Cabinet, and the definition of the League's exact political status. Mr. Jinnah and Mr. Gandhi at first apparently agreed to a formula whereby the Congress recognised the Muslim League as the authoritative representative of the overwhelming majority of the Muslims of India, with an unquestionable right to represent all Muslims, and the League recognised that the Congress had the right without any restriction or limitation to choose such representatives as they thought proper (including Muslims), from amongst the members of the party, as their representatives. The formula was, however, rejected by Pandit Nehru and the Congress Working Committee, who insisted on the addition of the proviso that "the League recognises the Congress as the authoritative organisation representing all non-Muslims and such Muslims as have thrown in their lot with the Congress." It was also proposed to introduce a clause that all the Ministers of the Interim Government should work as a team, and would not invoke the intervention of the Governor-General in any case. The League, while accepting the three representatives of minorities already appointed as members of the interim Government, claimed that it must be consulted about any future minority appointments. The Congress refused to accept this claim and insisted that it could not allow its position *vis-à-vis* the scheduled castes or other minorities to be challenged by the League. The demand by the League that the office of vice-president in the Interim Government should be held in turn by members of both parties was also rejected, and an offer made instead that an additional vice-chairman of the Cabinet Co-ordination Committee should be created for a League member, or, in the alternative, that a League member of the Cabinet should be the Leader of the House in the Central Assembly. The League asked that any difference of opinion over a major communal issue should be referred to the Federal Court, or that a convention should be established that no decision could be taken on such an issue if the majority of the Hindu or Muslim members of the Government were opposed to it. To this the Congress reply was that matters coming before the Cabinet could not be referred to a court, that agreement should always be reached, and that if this were not possible, resort should be had to arbitration. Finally, the Congress expressed a hope that the League, in joining the Government, would simultaneously decide to enter the

Constituent Assembly. The League, in reply, suggested that the settlement over the long-term plan should stand over until a better and more conducive atmosphere had been created.

With the failure of the negotiations between Congress and League, Mr. Jinnah renewed his talks with the Viceroy and accepted the five seats offered by him to the Muslim League. An official announcement of the League's acceptance of the Viceroy's offer appeared on the 16th October. Mr. Jinnah's nominees included a non-Congress member of the scheduled castes. The Congress in accepting this arrangement retained a Nationalist Muslim and a scheduled cast representative as part of its own quota.

Mr. Jinnah's decision to enter the Interim Government has been received with relief, although it is regretted that no agreement was reached between the two parties, and that the League had accepted from the Viceroy what it had refused from the Congress. Gandhi, while praying for the best, declared that the League's entrance into the Cabinet had not been straight. The inclusion of a member of the scheduled castes as one of the League nominees is considered by the Congress to be a disruptive move, and the Congress-League cleavage continues. The League members who have received the portfolios of Finance, Commerce, Communications, Health and Law, have refused to accept Pandit Nehru's leadership, or the convention of Cabinet responsibility, as they consider that the present constitution does not allow of it. The Congress and the three minority members have decided to continue the Cabinet convention among themselves, and Mr. Liaquat Ali Khan, leader of the five nominees of the League, has described the Interim Government as consisting of a Congress *bloc* and a Muslim *bloc*, each functioning under separate leadership.

2. The Viceroy in a broadcast emphasised that, with the formation of the coalition Government, India had taken another step forward on the road to freedom, and that it was his desire and hope that all the elements in the Interim Government would work together in harmony, both in dealing with the pressing administrative problems of the moment, and in furthering the formation of a new Constitution which would enable the British Government to complete the transfer of power to India. Mr. Liaquat Ali Khan stated that the League members of the Interim Government were determined to work in harmony with their Congress colleagues. On the 28th October the Central Legislative Assembly began its first session with Nehru as Leader of the House, and members of the new Congress-League Government occupying the Treasury Benches.

3. The pace of the Interim Government's policy-making and planning remained unaffected by the negotiations for a coalition. In a broadcast talk to the armed forces, the Defence Member, Sardar Baldev Singh, announced a policy of accelerated Indianisation and appealed to British officers to promote it. His avoidance of any mention of the I.N.A. and the personnel of R.I.N. is thought to emphasise the Interim Government's present policy of caution. On the question of the withdrawal of Indian troops from Indonesia, Pandit Nehru assured the Central Assembly that withdrawal would be complete by the end of November. Addressing the Indian Merchants' Chamber, the Commerce Member forecast adoption by the Government of a bold policy of industrialisation, and to raise the standard of living. While emphasising that the press must have unfettered freedom, Sardar Patel, the Information Member, reminded them of their obligation to preserve the integrity of the State and to support popular Government against the forces of disruption. Conferences of provincial Health and Labour Ministers showed that co-ordinated policy and harmony in administration were the objects aimed at. At a conference held to consider the question of future recruitment to the I.C.S. and I.P., the consensus of opinion was in favour of a central administrative service to replace the I.C.S., provinces being left free to appoint their own police officers.

4. During the period of the negotiations in Delhi, Muslim League preparation for direct action continued in the provinces with little noticeable decrease. Propaganda became increasingly bitter and often anti-British in tone, while lip-service was paid to the need to keep action within the bounds of constitutionalism, some speakers publicly declared that Islam's present message to all was "Jihad" (war for the sake of religion) and sacrifice. The Muslim League's programme of direct action included non-payment of taxes, defiance of law and order, boycotting of courts, the cutting of communications and an economic boycott of Hindus, all of which occurred during the disturbances in East Bengal. The programme also includes the recruiting of Muslim National Guards. This has led, ostensibly in self-defence, Hindus in Bengal and other provinces to increase the activities of their volunteer bodies.

5. The communal situation in Calcutta, Bombay and elsewhere had begun noticeably to improve when owing to party propaganda and exaggerated press reports, wild rumours and mutual recriminations following the great Calcutta killing, a large-scale outbreak of serious lawlessness and organised hooliganism occurred on 10th October, chiefly in the Noakhali and Tipperah districts of East Bengal. Large forces of armed police and military were required to control it. Detailed estimates of the loss of life and property are not yet available, though the total number of deaths is expected to be under 150. Loss of property is feared to have been considerable, and it is known that many thousands were converted to Islam. The East Bengal troubles have resulted in reprisals, in places as widely separated as Chupra, Ahmednagar and Ahmedabad, and they have kept alive the existing tension in Bombay. On 31st October, there began in Bihar, in revenge for Muslim atrocities in Bengal, a week of serious disturbances which, for ferocity, barbarity and size seem to have surpassed all communal or political outbursts in recent Indian history. This has produced some signs of revulsion of feeling, and of disgust. The appeals issued by the Viceroy, the members of the Interim Government, and provincial Ministers will probably induce the press to exercise restraint. Mr. Gandhi's visit to Bengal, coupled with his threat to use his special weapon—a fast—and the visits of the Viceroy and leading Cabinet members of both communities to Bengal and Bihar have produced a sobering effect. The Governments of United Provinces, Bengal, Bihar and Bombay have promulgated ordinances which take very wide powers to deal with communal disturbances. The Governments of the United Provinces and Bombay contemplate recruiting a force of home guards. On the eve of his visit to Bengal, the Viceroy, in a broadcast, appealed for freedom from fear of communal strife. "India cannot go forward," he said, "to her appointed destiny, nor devote herself wholeheartedly to the great work that lies ahead of us all when our minds are filled with constant anxiety and apprehension. I ask, on my own behalf and on behalf of my Government which wholeheartedly supports this appeal, that the communal strife which now poisons the life and disfigures the fair name of India should cease." Mr. Jinnah, Pandit Nehru and others have also issued similar appeals.

5. The Communists continued their subversive activities, and everywhere took full advantage of the communal troubles to turn popular feeling against the Government. They were responsible for many small strikes.

6. The States' people appear increasingly concerned with internal reforms, as well as in securing proper representation in the Constituent Assembly.

7. The preliminary success achieved by the Indian Delegation at the U.N.O. in the South African-Indian case has been generally applauded and Nehru has declared: "I hope the decision of the United Nations will go in our favour, but whether it goes in our favour or not, we shall stand by our countrymen in South Africa to the end." India has agreed with China and the United States to raise the status of their diplomatic missions to that of embassies. The meetings of Mr. Krishna Menon, Pandit Nehru's emissary, with leading politicians outside India have been featured in the press. At an official reception given to the Australian trade delegation in New Delhi, Nehru extended an invitation to Australia and New Zealand to attend the forthcoming Inter-Asian Conference to be held in India. Opinion in the country was sharply divided as to whether the Nuremberg trials should have been held at all. The Indian-owned press, however, seems to be generally of the opinion that outstanding military and national leaders like those tried at Nuremberg should not have been hanged as ordinary criminals. Reactions to the outcome of the Paris Peace Conference have not on the whole been favourable. The common view is that the differences among the Powers have been aggravated by the conference. In a telegram addressed to the vice-president of the Iraqi Chamber of Deputies, Mr. Jinnah has said, "Right and every principle of justice is with the Arab cause. Muslim India fully supports Arab national struggle in Palestine."

8. The overall prospect of the hot weather crops is satisfactory, although in most parts the monsoon ended early. The foodstocks position, however, continues to be precarious.

F 1142/905/61

(12)

CONFIDENTIAL APPRECIATION OF THE POLITICAL SITUATION IN INDIA, No. 12 OF 1946

Dated 21st December, 1946.

The communal disturbances which began in Calcutta on 16th August and passed on to East Bengal, had terrible repercussions in Bihar towards the end of October and early November which were mentioned in the last appreciation. The wave which swept the central parts of Bihar, however, quickly retreated. The Provincial Government's efforts to control the situation were materially helped by his Excellency the Viceroy's two visits, the despatch of additional troops, Mr. Gandhi's resolve to fast to death if the disturbances did not stop within twenty-four hours, the aerial tours of Pandit Nehru and Mr. Nishtar, with the former's stern warning to the rioters, and the personal influence exerted by Dr. Rajendra Prasad. Passing under the surface, as it were, in east and central U.P. Hindu retaliation reappeared at the hindu pilgrimage centre of Garhmukteshwar in west U.P., where mobs committed unspeakable brutalities, and from there the trouble spread to Meerut and Rohtak. In Bombay the Colaba district has been in a state of serious ferment, but elsewhere the tension has gradually decreased. The Bakrid festival passed off without any major incident in any part of the country. One fact has stood out quite clearly during the suppression of these riots, namely, that India's armed forces are still free from the communal virus and can safely be depended upon to carry out orders in any emergency. The police also generally gave a good account of themselves. There was some improvement in the tone of public speeches and of the press on communal matters, after several provincial Governments had passed special powers ordinances enabling them to deal effectively with objectionable speeches and writings. The press conferences held by Sardar Patel, the home member, also had some effect. But matters have deteriorated again since the controversy over the summoning of the Constituent Assembly's inaugural session began.

2. The open dissension between the Congress and the Muslim League members of the Interim Government, and the conflicting statements which they made in the legislature and outside it, have distressed many whom the parties' joint statement

on the disturbances in Eastern India had encouraged to hope that, in facing together the daily tasks of administration, communal and personal animosities would grow less.

3. While a new potential storm centre has been forming at Asansol on the western borders of Bengal, whither a large number of refugees from Bihar fled, the ministry in Assam has shown increasing impatience with the Bengal immigrants and unlawful settlers in Assam's reserved grazing lands, which have long been coveted by the landless Muslim population of East Bengal.

4. The Ministry in Bengal has been expanded by the addition of four new members. Explaining the expansion, Mr. Suhrawardy, the chief Minister, said: "A number of seats in the Council of Ministers was left vacant when the Ministry was formed in the hope that an arrangement might be arrived at with the congress. This hope has not yet materialised. Meanwhile to handle the administration of the province it has been found necessary to expand the Council of Ministers from seven to eleven members." The Ministry now includes representatives of all substantial minorities except the Indian Christians and Anglo-Indians.

5. In the midst of communal disturbances and Government's preoccupation with efforts to check them by taking special powers to themselves, either through Acts of the Legislatures or ordinances issued by Governors, the Government of Bombay has found time to pass an Act preventing bigamous marriages among Hindus in the province. The Central Legislature also has placed on the statute book legislation amending the Hindu marriage laws.

6. The political highlights of the period were the Congress session at Meerut, and Mr. Jinnah's decision against the League's representatives attending the session of the Constituent Assembly, which was followed by the publication of the correspondence between Pandit Jawaharlal Nehru and the Viceroy. In it the Viceroy mentioned the assurance given by Mr. Jinnah that the Muslim League was entering the Interim Government, and would enter the Constituent Assembly, with the intention of co-operating. The Viceroy also made it

clear that the League's entry into the Interim Government was conditional on its acceptance of the Cabinet delegation's plan. That the League must either accept the plan and come into the Constituent Assembly, or quit the Interim Government, was therefore the stand of Congress leaders at the annual session of the congress. Mr. Jinnah has since publicly stated that he never conveyed to the Viceroy any assurance, nor committed his party beyond saying that a fresh decision about the long-term plan could only be taken by the Council of the All-India Muslim League. According to Mr. Jinnah, the Viceroy was playing into the hands of the congress, in complete disregard of the league and other organisations in the country; and, in view of the explosive atmosphere, the decision not to postpone the Constituent Assembly would lead to serious consequences. Syed Ali Zaheer, ex-member of the Interim Government and a leader of the Shia community, deplored the league's attitude as likely to embitter communal relations still further. This was the view taken by the Nationalist Muslim Press also.

7. In the course of his speech in the Subjects Committee of the Congress Session at Meerut, Pandit Nehru, referring to the atmosphere in the new Central Government after the Muslim League's entry, said that the Interim Government was divided into two, and charged the league with having acted as a King's Party. "Our patience is fast reaching the limit. If these things continue, a struggle on a large scale is inevitable." "While the Muslim League are welcome to join the Constituent Assembly," said Pandit Nehru, "let me make it clear that whether they come in or keep out we will go on." "The Viceroy, in conjunction with the Muslim League, was removing the wheels of the Interim Government's car." Sardar Patel declared that the "Leaguers are trying to wage a war of nerves against the congress. But we are not going to run away so easily from the Interim Government. It is only when we are convinced that His Majesty's Government have gone back on their pledge and betrayed us that we shall get out."

8. The congress in its general session adopted a resolution declaring that it stood for an Independent Sovereign Republic of India, wherein all power and authority are derived from the people. It declared that Swaraj could not be real for the masses, unless it made possible a society in which democracy extended from the political to the social and economic spheres so that the privileged classes could not exploit the bulk

of the people. By another resolution, the congress warned people against the danger of retaliation in communal quarrels. Sardar Patel, home member, speaking on the position in the country, advised people not to seek police or military aid, nor to run away, but to learn resolutely to defend themselves and others against violence. He said that in the absence of disciplined non-violence, the reply to the challenge of the sword could only be the sword. "People should not indulge in brutalities but should use violence for self-defence as well as for the protection of neighbours and for the honour of women and safety of children." In a press interview, Mr. Jinnah emphasised once more that only the creation of Pakistan and Hindustan would end communal strife in India, adding that the Bihar tragedy had made the transfer of populations a matter for serious consideration.

9. The reaffirmation of the Bombay declaration by the Muslim League on one side, and the speeches of some of the leading Hindu politicians on the other, have only served to underline the present irreconcilable attitude of the two main political parties. The country seemed very close to civil war. One ray of hope, however, appeared at the end of the period—the willingness of both political parties to be represented at the forthcoming London conversations. The immediate tension was eased (for a time only) by the invitation which His Majesty's Government sent to the leaders of the main political parties to take part in discussions in London, and these discussions became the centre of interest and their results were eagerly awaited. While most people genuinely hoped that the discussions would result in a settlement of the main differences between the two leading parties, optimism was not great. Although, at the beginning, the majority of Hindu opinion was in general sympathy with the attitude of the congress in declining to go to the London talks, it was later felt that it would have been churlish to refuse after Mr. Attlee's personal telegram to Pandit Jawaharlal Nehru.

10. There has been a lull in the States' peoples' agitation. The princes have, however, been busy holding conferences and discussions on the questions of (i) introduction of popular control in the States' administration and (ii) personnel of the Negotiating Committee and its functions, including decision of issues such as the selection of States' representatives to the Constituent Assembly.

11. While on tour of the North-West Frontier his Excellency the Viceroy assured the Afridis of the continuance of their freedom guaranteed under agreements with the British Government, and pointed out that there was no intention of handing them over to any political party; but he told them, and also the Wazirs in Wana, that they should remain united, be prepared to negotiate with the future Government of India, and refrain at present from allying themselves with any one political party in India.

12. An air transport agreement was signed between India and the United States in New Delhi, when the United States representative laid stress on the encouragement it would give to the growth of closer and more friendly relations between the two countries.

13. The Honourable Mrs. Pandit's handling of the South African issue at the

meeting of the U.N.O. attracted considerable attention and commendation. Events in Palestine and Egypt received comment in the press, some of it being unfavourable to Great Britain. Field-Marshal Smuts's reference to the position of the scheduled castes in Hindu society was explained away by Mr. Rajagopalachari and the Hindu press, by pointing out that no one in India suffered from legal disabilities by reason of caste.

14. Owing to heavy rains at the close of the monsoon, the rice crop in parts of the U.P., C.P., Bombay, the Punjab and Sind is expected to be below expectations. Only in Bengal will there be a bumper crop and prices of rice in most districts have shown a downward trend. In other provinces like Madras, where the food grains position has been very precarious for several months, there is a feeling that the corner has perhaps been turned.

CHAPTER V.—NEWFOUNDLAND

[W 16503/16503/68]

No. 31

*Extract from House of Lords Debate, 11th December, 1945.**Newfoundland.*

Viscount Cranborne : My Lords, I beg to ask the noble Viscount, the Leader of the House, a question of which I have given him private notice—namely, whether His Majesty's Government have any statement to make in regard to future policy towards Newfoundland.

The Secretary of State for Dominion Affairs (Viscount Addison) : My Lords, since assuming office the Government have reviewed the position in relation to Newfoundland. Before proceeding to describe the measure which we propose, I should like to refer briefly to three preliminary points : First, as a result of war-time developments and of the special conditions that have obtained during the war, the financial position of the island has been transformed during the last five years. It has been self-supporting since 1941 and has built up an accumulated surplus which now stands at approximately 25,000,000 dollars. Secondly, under the agreement made with the Newfoundland people in 1933, a pledge was given that as soon as the island's difficulties had been overcome and the country was again self-supporting, responsible government, on request from the people of Newfoundland, would be restored. In a statement made in Parliament in December 1943, on behalf of the Coalition Government, it was made clear that the whole policy of the United Kingdom was governed by this undertaking.

Thirdly, such being the general background, it was further indicated in the same statement that as soon as practicable after the end of the war, machinery would be provided for enabling the Newfoundland people to examine the future of the island and to express their considered views as to the form of government they desire, having regard to the financial and economic conditions prevailing at the time.

His Majesty's Government for their part fully endorse the statement of policy made on behalf of the Coalition Government in 1943, and intend to proceed as speedily as possible with the setting up of appropriate machinery for this purpose. This they consider, after consultation with the Commission of Government, could most suitably take the form of an elected National Convention of Newfoundlanders. They accordingly propose the following programme :—

1. Elections to a national convention will be held in the early summer of 1946 as soon as climatic conditions permit—probably in the first half of June. All adults will be entitled to vote and the elections will be held on the basis of the constituencies of 1925 with such variations as may be found desirable in the light of the new census which is being taken in Newfoundland this year. Candidates for election will be required to have been bona-fide residents for at least two years in the districts they seek to represent, war service not being regarded as a break in residence.

2. It will be the duty of the convention to review all the alternative courses open to the island and to make recommendations to His Majesty's Government as a basis for a national referendum. It is fitting, therefore, that it should be given wide terms of reference, and these will take the following form :—

“ To consider and discuss amongst themselves, as elected representatives of the Newfoundland people, the changes that have taken place in the financial and economic situation of the island since 1934, and, bearing in mind the extent to which the high revenues of recent years have been due to wartime conditions, to examine the position of the country and to make recommendations to His Majesty's Government as to possible forms of future government, to be put before the people at a national referendum.”

3. The convention will be presided over by a judge of the Supreme Court of Newfoundland. In order that members may be given adequate guidance on constitutional forms and procedure, it is contemplated that an expert adviser from the United Kingdom would be available to assist the convention as required. His Majesty's Government further propose to prepare and to make available to the convention when it meets, a factual and objective statement on the financial and economic situation. This would analyse developments in revenue and expenditure since 1934, give particulars of the cost of maintaining

the various public and social services, review the country's import and export trade and the main branches of economic activity, and survey the principal lines of policy followed by the Commission of Government and their financial implications. This statement will be made available to Parliament at the same time.

4. The intention would be that the convention should meet as soon as practicable after the elections. If, as is hoped, the discussions at the convention should result in a sufficiently marked consensus of opinion to enable recommendations as to the future course of action to be submitted to the United Kingdom Government, the next step would be for such recommendations to be considered by His Majesty's Government. It would, thereafter, be possible to hold a referendum at which the issues could be put to the Newfoundland people for their decision.

Under this procedure there will be full scope for the whole constitutional question to be examined by a representative body of Newfoundlanders, and then decided by the Newfoundland people themselves. In the meantime, the Commission of Government have been giving continuous study to the reconstruction needs of the island. These may be divided into short term and long term. So far as the former are concerned, the commission have already put in hand a series of measures designed to meet the more pressing requirements of the next two or three years. These include a comprehensive scheme, which has been received with general approval in the island, for the rehabilitation of ex-service men, and schemes for fishery development, land settlement, the improvement of communications and hospital and educational services. It is clearly necessary that these schemes should proceed without interruption, and provision for implementing them will accordingly continue to be made in the island's annual budget. There need be no apprehension, therefore, that progress in equipping the island to meet the needs of the future will in any way be slowed down by the arrangements now proposed for enabling the constitutional issue to be determined. Longer-term measures are, however, in a somewhat different category, since any new government would no doubt wish to frame its own development policy, and care must be taken to see that it is left the maximum freedom to do so, consistent with reasonable continuity. In other words, the aim of the commission must be to forge ahead with immediate measures but on longer-term schemes to retain a measure of flexibility pending the settlement of the constitutional issue. The Commission of Government will, however, make available to the convention information respecting the order of development and reconstruction expenditure which in their view is likely to be required over the next ten years.

Our relations with Newfoundland have been so special and Newfoundlanders have played such a gallant part in the war that it would, I know, be the wish of us all to assure to any new Government which may take over in the island the fairest possible start. But we must all be careful not to promise what we may not be able to perform, and the special difficulties of our financial position over the new few years may well preclude us from undertaking fresh commitments. As your lordships will understand from what I have said, the object of the procedure proposed by His Majesty's Government is to enable the people of Newfoundland to come to a free and informed decision as soon as possible on their future form of government. I know that this House, which has always been solicitous for the welfare of the people of the island, will wish them well in the exercise of their choice.

Viscount Cranborne : My lords, I should like to thank the leader of the House for the very important statement of policy he has made which will require very careful consideration by your lordships, but I would like to ask him one further question now for the purpose of elucidating what he has just said. As I understand the position, there would be three stages in the Government's plan to enable the people of Newfoundland to decide their constitutional future: first, the proposed convention will sit; next, the conclusions of the convention will be forwarded to His Majesty's Government, and, finally, a plebiscite will be held at which the issues will be put before the people of the island. I take it that while, clearly, His Majesty's Government must reserve the right to consider the conclusions reached by the convention, they have no intention of precluding the people of Newfoundland from voting on the alternatives which the convention may recommend.

Viscount Addison : I welcome the noble lord's supplementary question. His Majesty's Government have no such intention. They hope that the convention will be able to frame their recommendations in the form of questions to be submitted to the people of Newfoundland at the referendum.

CHAPTER VI.—NEW ZEALAND

[W 11574/136/68]

No. 32

Sir H. Batterbee to Viscount Cranborne.—(Received in Dominions Office, 30th July.)

(No. 109.)

My Lord,

Wellington, N.Z., 20th July, 1945.

TO-DAY I lay down office as High Commissioner for the United Kingdom in New Zealand after a term of nearly six and a half years, the most eventful in the story of the British Empire. I have told the story of those years, so far as it relates to New Zealand, in my various despatches and telegrams, but on laying down office it is perhaps fitting that I should offer some general observations on the present position and future outlook of the Dominion, although any general appreciation of the position formed while the war in the Pacific is still continuing may require modification later.

The first thing that must strike any observer of New Zealand to-day is the general prosperity of the country. Poverty, as we understand it, has been almost completely eliminated. The people are well dressed; despite the recent tightening up of the rationing of meat and butter, food is still plentiful; the hotels and places of amusement are crowded; the shops comparatively full of goods; there appears abundant money to spend; and there is a general air of prosperity everywhere. Were it not for such outward signs as labour shortage, petrol rationing, the continuance of certain security measures and evidences of military activity such as the appearance of uniforms in the streets—and these evidences of course are much less noticeable now that the United States troops have departed—it would be difficult to realise that New Zealand is at war. And even if we probe deeper, we find that, as compared with conditions before the war, New Zealanders are called upon for real sacrifice only in such matters as the restriction which is still maintained on the freedom of the individual to change his employment, the very acute housing shortage, overcrowded transport and the inadequacy of the supply of coal and power. With the celebration of victory in Europe, the average New Zealander feels that the interest has died out of the war, and while Ministers and newspapers continue to urge the full maintenance of the war effort until victory over Japan is achieved, there can be little doubt that the thoughts of the people at large are now returning to peace-time interests. The New Zealand people still seem more European than Pacific-minded, although I think that this is more true of the older than the younger generation.

On the political side, the weakness of the Dominion continues to be the bitter state of feeling between parties, and the mutual mistrust amounting to antagonism between employers and trade unions, which gives the outsider the impression of a lack of unity in the country as a whole. These divisions are the more surprising in that the programmes of the two parties reveal no fundamental differences of principle (see following paragraph) and that social conditions in the Dominion generally seem remarkably uniform. After Dunkirk and the fall of France there was for a time a much greater sense of unity, reflected in the formation of the War Cabinet in which both parties are represented. The Japanese attack on Pearl Harbour and Malaya, which left New Zealand herself in direct peril, also had a unifying effect, but with the feeling of immediate danger removed, there has been a recrudescence of bitter party strife. What effect the return of the ex-servicemen will have on the politics of the Dominion it is still impossible to say.

As regards the future of political parties in the Dominion, it is difficult to hazard any forecast. The Labour Government has now been in power for ten years; the present Ministers, the majority of whom have held office during the whole of that period, are growing old and tired, and there are no signs of any capable young men in the party who might take their places. At the last general election there seemed some swing of the pendulum in favour of the Opposition. But the Opposition is still very weak in organising and debating ability (though some of the new members elected at the last election show promise) and the National party programme is little different from that of the Labour party. A call to "blood and sweat and tears" is not a popular appeal in New Zealand, and the only programme which is thought to have any chance of success is one promising further measures of State assistance.

What, however, causes me the greatest anxiety regarding the future of this country is the economic and financial position. The prosperity of New Zealand and her standard of living are entirely dependent on her export of primary produce, the only volume market for which is Great Britain. The critical financial position in which New Zealand found herself just before the war is well known to you. On the surface, the position to-day is considerably better. The state of the sterling funds in London looks at first sight remarkably good, but in my opinion, and in that of many competent observers, the present amount of those funds, far from being sufficient for the Dominion's needs, will be entirely inadequate to provide her with the capital machinery and consumable goods, of which she will stand in need after the war. The strain on sterling funds will be still further increased if, as appears likely, the New Zealand Government continue their present policy of encouraging the establishment of local manufactures, all of which require some measure of equipment from overseas. The continuance of some form of import control will clearly be necessary if financial disaster is to be avoided.

The continuance of some form of import control will inevitably lead to some complaints from British manufacturers that New Zealand's available sterling balances are allocated by the New Zealand Government for the purchase of those goods which the Dominion Government deem it essential that New Zealand should import rather than those which the British manufacturer has sold in the past or wishes to sell in the future. Some dissatisfaction on this score seems inevitable, but in the main we have no real ground for complaint in principle so long as the total amount of imports from the United Kingdom remains as large as the state of sterling funds permits. As to this, I would refer to the public assurances given by Mr. Nash, the latest of which was quoted in paragraph 3 of my telegram No. 288 of the 10th July, assurances which he has frequently repeated to me in private. Despite these assurances we have had recently the unfortunate experience of the placing of a large proportion of the Maraetai contract in the United States and Canada. In defence of his action in this case, Mr. Nash would argue that the whole order would have been placed in the United Kingdom had prices been quoted "fairly" approximate to those quoted elsewhere." The moral for the British manufacturer is that his prices must be sufficiently low to afford the New Zealand Government no ground for placing orders outside the United Kingdom. I have not, of course, lost any opportunity to point out to New Zealand Ministers that if New Zealand orders continue to be diverted to dollar countries which do not correspondingly increase their purchase of New Zealand goods or goods from other parts of the sterling area, the result must be that the United Kingdom will have less money with which to buy New Zealand primary produce.

The outlook is undoubtedly difficult and will require very careful handling in the interests both of New Zealand and the United Kingdom. It may be that another slump is needed to bring the facts of the situation home to the people of New Zealand, but no friend of the Dominion would wish to see her faced again with such a slump as led to the distress and confusion of the early 30's. I have sufficient confidence in the agricultural resources of New Zealand and in the good sense and grit of her people to hope and believe that the Dominion will find her way through the difficulties ahead, though it may be after a period of trial and set-back.

If such a period comes, I trust that the utmost possible measure of sympathy and practical help may be given by the United Kingdom. For reasons which it is unnecessary for me to detail here, New Zealand is likely to remain for many years to come one of Great Britain's most valuable markets. The United States is straining every nerve at present to secure for herself a much larger share of that market, and if we wish to retain it we must be prepared not only to sell goods at a competitive price, but also to show a sympathetic insight into their problems. There are signs in many quarters here that the interdependence of the United Kingdom and New Zealand in trade matters is becoming more clearly appreciated, and we must do everything in our power to encourage that appreciation. In this connexion I would refer to the remarks of Mr. F. P. Walsh, president of the Wellington Trades Council, as quoted in paragraph 6 of my telegram No. 298 of the 17th July. Coming from that quarter, I regard this public statement as significant of the development of opinion in this matter.

The prestige of Great Britain in this part of the Pacific has undoubtedly been greatly increased by the victory in Europe and by the various evidences revealed recently of the important part which she played in bringing about that victory and of her achievements not only in fighting but in organisation, munitions

supply and engineering. The story of such British achievements as the floating harbour, which played so great a part in rendering possible the successful invasion of Normandy, the under-Channel oil pipe-line, and the Bailey bridge, have had their effect on public opinion. As soon as peace comes again Great Britain, if she is to retain her prestige, must show that she belongs to the future and not to the past, and that she is determined not to follow but to lead the world in all matters of social and economic progress, and especially in the vital matter of communications of all kinds, the speed and cheapness of which are essential to the well-being of the empire. There must be an end of such retrograde proposals as the use of sea transport for our mails after the war. Whatever the cost (and it may well prove that the direct cost would be more than covered by the revenue indirectly resulting), no effort must be spared in order, within the shortest possible time, to make British civil aviation as pre-eminent as her mercantile marine has been in the past.

If we do not make it plain by both deeds and words that Britain still leads the world, there is the danger that New Zealand may eventually feel in too great a degree the increasing attraction of the United States as a great and progressive world Power, democratic and English speaking like New Zealand herself, with, she may feel, perhaps a greater stake in the Pacific even than the United Kingdom. The strength which that attraction may have for New Zealand was shown by the honeymoon period which followed the first landing of United States troops in New Zealand in the dark days of 1942. The honeymoon was soon followed by a reaction, but the reaction has now largely run its course, and in the result the Americans occupy a place closer to the hearts of the New Zealanders than before. Nor do the United States authorities lose any effort to improve their advantage by propaganda, some of it injudicious but much of it subtle and effective. Mr. Greenbie, the special assistant to the United States Minister, who has at times overshot the mark, is shortly to be withdrawn. The work of the United States Library of Information here, on the other hand—work akin to that which a British Council representative might be expected to do for us—has proved of great value to the Americans. I hope, therefore, that we shall ourselves lose no time in considering the recommendation contained in my despatch No. 67 of the 12th May for the appointment of a suitable British Council representative in New Zealand subject to the safeguards there set out.

The other competitor for New Zealand's favours is, of course, Australia. The Dominion has already gone further along the road to maturity which New Zealand will probably travel in her turn, though, we may hope, in an individual way. Australia, under the driving influence of Dr. Evatt, is now engaged in inciting her smaller sister to follow her example, and, in particular, in hastening the stirring consciousness of New Zealand that she is primarily a Pacific Power, albeit a small one, with interests similar to those of Australia, and only secondarily interested in Europe. The moral which Australia seeks to make New Zealand draw is that the latter's best interests lie in close co-operation with her big sister Australia, and even in "ganging-up" to form a common front not only against the outside world, but even against the United Kingdom herself. The Canberra-Wellington "Axis" was originally accepted in Wellington because it embodied the common interests of the two British Pacific Dominions and because it enabled two Labour Governments to give expression to their common political background. The first of these two aspects will remain, though with the recession of the Japanese menace it may become less impelling. But even so there are already indications that New Zealand may be reluctant to continue indefinitely signing on the dotted line presented to them by Dr. Evatt. Despite appearances, New Zealand remains independent of Australia in outlook, and has no intention of allowing herself to become an Australian satellite. And once one of the two Labour Governments in the Pacific Dominions has gone, much of the cement holding the "Axis" together will have gone also and we may look forward to a time when Australia and New Zealand, while still conscious of the extent of their common interests and anxious to give effect to that by close co-operation, will, instead of as at present seeking to "gang-up" in secret before broaching matters with the other Commonwealth countries, return to a more normal and less exclusive relationship.

The future of the Maori population remains one of the most difficult problems confronting the Government of New Zealand. I have nothing to add to my previous communications on this subject except to say that it was a matter of great regret to me that, owing to the conditions of the last few months, it was impossible for me to accept a very cordial invitation to visit the Maoris in the Rotorua district. I regard it as important from the point of view of maintaining

relations between the United Kingdom and all sections of the population in New Zealand, and indeed as helpful to the New Zealand Government, that the High Commissioner should maintain a close liaison with the Maoris.

Perhaps I may be allowed one personal word about the office which I have had the honour to hold for the last six and a half years. When I first arrived, for reasons which I explained at the time, I found my appointment viewed with a considerable amount of suspicion. I endeavoured to let it be seen that I had come to serve not only the United Kingdom but also New Zealand, and that any help which my office could give would be freely given to any who asked for it, and I am thankful to say that the feeling of suspicion gradually, and I hope entirely, disappeared. In my view, the two functions of a High Commissioner, at any rate in New Zealand, are equally important, and indeed the one is a help to the other. His first function of course is to be a go-between in Wellington between the United Kingdom Government and the Dominion Government, and as decisions on all New Zealand questions are made in Wellington, and in important matters largely by the Prime Minister himself, the High Commissioner's usefulness depends to a great extent on his personal influence with the Prime Minister and on the degree to which he is the trusted friend of Ministers generally. But in the case of New Zealand at any rate, an equally important function is to be the "ambassador" from the people of the United Kingdom to the people of New Zealand and to interpret to the ordinary man and woman in New Zealand what the ordinary man and woman in the United Kingdom is doing and thinking and planning. To do this the High Commissioner must be prepared to visit all parts of the country and to speak fairly frequently on topics of various kinds. Wherever I have gone in New Zealand, I have been asked, and more frequently as time has gone on, to address colleges and schools, and I regard this as a very important means of influencing the rising generation. Owing to the circumstances of the war, I have not been able to visit the country parts of New Zealand so much as I should have liked and would, in my view, have been desirable in normal circumstances, but I have done what I could in the time available. I should have liked, had it been practicable, to have spent a portion of each year in the South Island, and such a course would, I know, be welcome in New Zealand itself.

In the last few weeks before my departure I have paid farewell visits to Auckland, Christchurch and Dunedin. In each of these cities I was accorded a civic reception and in addition I was called upon to make speeches to various societies. It was a matter of regret to me that within the time available it was not possible to accept many invitations which I received to visit other parts of the Dominion before my departure. In Wellington itself my wife and I have been invited to a large number of farewell functions, at each of which, in accordance with the rule in this Dominion, it has been necessary for me to make a speech. I am most fully conscious that all the goodwill and kindness which have been shown to me during the last few weeks, and indeed during the whole of my stay in the Dominion, have been shown to me because I represent the mother country, for which the affection is so strong in New Zealand. But it has been impossible for me to help being touched by the many manifestations of personal regard and friendship shown to my wife and myself during the last few weeks. During our time here we have formed the most sincere affection for New Zealand and its people and we shall say good-bye to the Dominion with very great regret.

In conclusion I should like to thank you and the members of the Dominions Office staff for your constant help and kindness throughout my period of office. I am most fully conscious of the strain under which you have all been working in London, and that adds to my gratitude for your unfailing consideration and assistance in staff and other matters. I should also like to express my warm appreciation of the loyalty and support which I have always received from the members of my staff here.

I have, &c.

H. F. BATTERBEE,

High Commissioner.

Sir P. Duff to Viscount Addison.—(Received in Dominions Office, 1st July.)

(No. 201.)

My Lord,

Wellington, 24th June, 1946.

ON the 26th June the existing New Zealand Parliament will meet for its final session before the General Election which is likely—although no definite date has yet been announced—to take place in October or November. The present is, therefore, a suitable moment to attempt a brief summary of the New Zealand political scene as it has developed during recent months, in case the picture of what is may throw some light on what is to come.

2. The present New Zealand Labour Government was returned to power for the third successive time in the General Election of 1943. It then secured 47·6 per cent. of the votes and 45 seats, against the National Party's 43·5 per cent. of the votes and 34 seats. This result represented a severe set-back for the Labour Party in comparison with the 1938 election, and it undoubtedly gave a great fillip to the National Party at the time. The Labour Party was thrown on the defensive in both Parliament and the country, and for some time after the election I understand (though I was not here to witness it) they continued to lose ground, so much so that it was said—whether with truth or not is beside the point—that Mr. Nash, who had been sent to Washington as first New Zealand Minister and returned at about that time, was brought back in order to reinforce the Government's debating strength in the House of Representatives and to repel the onslaughts of the Opposition which were felt to be hitting their mark.

3. It cannot, however, be said that the National Party has improved the opportunity thus presented to it. On the contrary, the Government were permitted to recover their confidence, and during the long working session of Parliament, which roughly covered the second half of 1945, they again went over to the offensive. They put through a big legislative programme, and no fewer than 48 public Bills were passed into law, in addition to 14 local and private Bills. Although the National Party offered strenuous opposition to some of these Bills, the pace was clearly once again being set by the Government. It was the Government which raised the issues in debate; it was the National Party which was now again on the defensive. Or, to put the same thing in another way, whereas the Government clearly still had a policy to which it was giving legislative effect, the National Party, whilst opposing it, could think of nothing better to suggest in its place and which would appeal to the New Zealand public.

4. Nor did either the leaders of the rank and file of the National Party add in the last session to their public reputation inside or outside the House by their achievements in debate. That party's main weakness, which was emphasised rather than concealed by the events of the last session, remains the dearth in their ranks of men who are regarded by the public as possessing outstanding capacity in any of the fields considered necessary for political success. Whether one thinks in terms of popular appeal, constructive ideas, political judgment or parliamentary tactics, no National Party name, certainly not that of Mr. Holland, the National Party leader, springs to mind, comparable to the names of Mr. Fraser and Mr. Nash in the Labour Party. (It must in fairness be admitted that no other Labour Party Member of Parliament springs to mind either.) Nor can the National Party compete with the advantage which the Labour Party undoubtedly derive from the belief prevalent amongst all classes in New Zealand that Mr. Fraser is a leading and highly respected and influential figure in international affairs. Moreover, friend or foe must all admit that the Government "fought a good war." I have from time to time been impressed by the tributes to this effect—which not all Governments always enjoy from similar quarters—which commanders in the field and Chiefs of Staff have made in conversation with myself. With the notable exception of Professor Algie, the National Party's backbenchers give only moderate encouragement to the impartial observer of the New Zealand political scene who hopes to find good material in all ranks of public life. It is said that they do include some able young men, but they have yet to make their mark with the New Zealand public. Indeed, one misses in both parties in New Zealand that "aristocracy of service" which is so valuable an element in all parties in the United Kingdom. Here there is some risk that a tendency will develop similar to, though no doubt much less pronounced than in the United States or even Australia, for politics to be regarded as beneath the dignity of the righteous because—and consequently with the result that—it is apt to fall into the hands of professionals. This cannot yet be said actually to have happened, but the lack of experience in

public life and the (by English standards) relatively low educational level of most Members of Parliament of both parties, makes them reflect rather than represent their constituents.

5. But if the challenge of the National Party has fallen short of what might have been expected, the Labour Party are also not without their difficulties. First returned to power in 1935, they suffer from the disadvantages of any party which has been continuously in office for over a decade. Their leaders are elderly and, apart from the outstanding exceptions of Mr. Fraser and Mr. Nash, who carry practically the whole burden of Government between them, not remarkable for energy or capacity. This has not always been the case, and the Government includes in its ranks at least one extinct volcano in the person of Mr. Semple, the Minister of Works, who retains his position largely on the basis of past performance. There are, moreover, as few signs of rising young men in the Labour Party as in the National Party. A conspicuous exception here is Mr. Nordmeyer, the Minister of Health, who is relatively young and vigorous. But he sits for one of the most unsafe of all the Labour seats, and unless he changes his announced determination not to seek a safer one, may well not reappear in the next Parliament. The ordinary Labour backbencher is of roughly the same calibre as his National Party opposite number. The New Zealand Labour Party representation in the House almost completely lacks an intellectual wing. It is, however, interesting to note that an increasing number of Left-wing intellectuals have been invited to stand in the coming election, not always for hopeless seats.

6. Whilst it is true that the National Party has failed to gain ground because it has no alternative policy to offer to that of the Labour Party, it is equally true that the Labour Party appears to have reached just about the end of the social security policy on which it has been three times elected to power. One sometimes hears it said that New Zealand has now gone to the furthest possible limits in what may be called, for want of a better term, social democracy. The State of New Zealand has already made every kind of arrangement for redistributing incomes throughout the community by the development of social security. Whilst a little more might be given here and there—if the productive capacity of New Zealand can bear it—there is no further major step of this kind involving a new principle still left to take. If the New Zealand public are still not satisfied, they will have to look round for a new basic policy, *e.g.*, direct State ownership and operation of industry, and, as things are at present, a new party too. At the moment, however, it must be said, there are no signs of popular dissatisfaction with the existing régime which would spell such drastic danger to the Labour Party, whose greatest protection against electoral disaster remains the fact that, if the policy they have successfully followed hitherto is no longer fresh and original, that offered by the National Party is merely the same, only less of it and more slowly.

7. The political history of New Zealand shows that any new party that is returned to power tends to remain in power until it dies of old age. This period normally lasts about ten years or more. The explanation of this phenomenon is said to be that a party once elected is able to win over to its unwavering support, by means of policies deliberately calculated to conciliate them, sufficient powerful interests to ensure its re-election until such time as its growing senility of personnel and exhaustion of ideas produces a revulsion of feeling that leads to the installation of another party in its place, when the process begins anew. (It may be said in passing that this explanation of the undoubted facts rings much truer in a small country like New Zealand, where local government is circumscribed within a narrow field, and "national" politics and "local" politics are substantially one and the same, fought out by the same men in the same arena—Parliament, than can be believed by one used only to the larger and more varied canvas of the United Kingdom political scene.) However, that may be, the New Zealand observer is now asking himself whether that crisis has yet come in the fortunes of the Labour Party. Mr. J. A. Lee, a former Minister in the Labour Government, appears to have thought that the moment had arrived in 1943. He organised the Democratic Labour Party to fight the General Election of that year against, and to the left of, both Labour and National Parties. But events proved him wrong and he obtained only 4.3 per cent. of the votes and no seats. He did, however, put the Labour Party's own return in jeopardy. Assuming that Mr. Lee can still draw off a substantial number of votes from the Labour Party (and the evidence of the Hamilton by-election—see paragraph 8 below—suggests that he personally at any rate can do so) clearly what he does in the coming election will be of importance to the prospects of that party. There have

been recurrent rumours that he is anxious to return to the orthodox Labour fold on terms which would presumably include a Cabinet position for himself. But feeling in the Labour Party against the renegade who played into the hands of the National Party is naturally enough very bitter, and if Mr. Lee is readmitted it will only be because the Labour Party doubt whether they can again win against the National Party with him intervening. Of that there is as yet no evidence, and the recent Labour Party Conference unanimously decided not to approach the Democratic Labour Party with a view to joint affiliation. Whether Mr. Lee will now decide to fight the coming election has not yet been announced.

8. I have already indicated my view that during the last year the Government has at any rate lost no further ground and has possibly even enjoyed a revival of prestige in the country. It is of interest to check this view against the evidence for what it is worth of by-elections. There have been three by-elections in the last year, one in a seat previously held by the National Party and two in seats previously held by the Labour Party. In two cases, one a National Party and one a Labour Party seat, there was no change; in the third the National Party secured a gain, thus reducing the Government's majority in the House of Representatives from eleven to nine. At Hamilton, a mixed urban and rural seat, in May 1945, a National Party majority of only 454 in a poll of 16,111 was increased to 957 in a poll of 13,097. Mr. J. A. Lee, who stood in person, secured 1,132 votes, against his party's representative's 885 in 1943. If the Democratic Labour votes had gone to the Labour candidate in each election the seat would have been won by the Government by a small majority. At Dunedin North, a wholly urban constituency, in a straight fight in July 1945, a Government majority of 738 was secured, compared with a majority of 2,798 in a four-cornered contest in 1943. Although the Government held the seat, this looked more ominous. At Raglan, a mixed urban, farming and mining constituency, in March 1946 a Government majority of 108 in 1943 gave way to a National majority of 308. Although a seat was lost, the voting showed only a slight swing, and the National Party could not in reality draw much encouragement from it.

9. Nevertheless, the results of the last General Election, and of by-elections since, showed that the Government needed to take every possible step to improve its electoral prospects if it is not to run into defeat at the next election. One of the measures which the Government accordingly passed in the last session of Parliament was the Electoral Amendment Act. As the passage of this Act will play an important and in my view very likely a decisive influence in the coming election, some explanation of its provisions will be in point. Hitherto the New Zealand electoral system has included the principle known as the "country quota" whereby in the allocation of the seventy-six European seats a 28 per cent. addition has been made to rural populations, with the result that rural areas, though making up only 40 per cent. of the European electorate, at present return half the members of Parliament. Since at the last election the urban electorates returned members in the proportion of more than four Labour to one National, and the rural electorates in the proportion of two-and-a-half National to one Labour (the Labour rural seats are mostly in areas with a substantial mining population or in mixed seats), it is not surprising that the Labour Government saw decided disadvantages in this deviation from the democratic principle of one man one equal vote. In the last session of Parliament, therefore, they abolished the "country quota." They went further. They had earlier provided for the taking of a census, although it was only nine instead of the usual ten years since the last census had been taken, so that the new delimitation of constituencies could be made on the basis of the most up-to-date population figures. Since population in New Zealand has for some time shown a steady and accelerating drift from the country to the towns, this was a further blow at the influence of the country, and so of the National Party. Finally they provided that the re-allocation of seats should be on the basis of adult population only, thus eliminating from the reckoning children, who are apt to be more numerous in the country districts than in the towns. Naturally enough there was a storm of Opposition criticism against proposals so disadvantageous to their electoral prospects and the Bill was fought at every stage and had finally to be put through by means of the closure. On the merits of the theoretical argument the "country quota" was of course indefensible, and the Opposition had to concentrate in its defence upon such special pleading as that the Government was, without a mandate from the electorate, changing the rules to its own advantage in the middle of the game; that the speeding up of the decline of rural influence was

unsound in a country still basically dependent upon its primary production, and that the size of rural constituencies under the new arrangement would make them unwieldy. Possibly more valid, on the theoretical plane, was the criticism that the new rules were not applied to the four Maori constituencies, all now held by Labour representatives. The Government's answer to this criticism is, however, also not without validity, namely, that the Maoris have certain constitutional rights which it would be both unfair and impolitic to appear to override.

10. It may well be imagined that the farmers in particular were infuriated at the blow to their political influence which the passage of the Electoral Amendment Act spelled. For a time there was even talk of "direct action" on their part. But nobody quite understood what this term implied and nobody really believed that the farmers would cut off their own noses to spite their faces, and in practice, of course, they have not done so. The only disadvantage which the Government has in fact reaped from their action in forcing through the Act is the complete alienation of the farmer vote. This, however, is traditionally National in its political allegiance and, although in the depression of the 'thirties even the farmers showed a swing over to Labour, which swept that party into power in 1935, Labour had already substantially lost farmer support by the last election, and the completion of the process was a consequence discounted in advance.

11. The redistribution of seats under the Electoral Amendment Act has now been completed and the result has been a radical transformation of the electoral map. The general effect will be apparent from the following facts: the more "progressive" North Island now has 50 seats against 48 previously; the more "conservative" South Island 26 against 28 previously; the four main urban centres—Auckland, Wellington, Christchurch and Dunedin—have 31 seats instead of their former 26 (the rest of the country suffers a corresponding loss); instead of there being, according to one published calculation, 39 urban, 36 rural and 1 mixed seats, there will be 43 urban and 33 rural seats. This, however, is the least sensational calculation. According to another estimate (and a certain amount of individual interpretation must enter into the matter) the situation has been changed from one in which 42 urban, 30 rural and 4 mixed seats replaces a position of 35 urban and 41 rural seats. The latter calculation allows for the fact that in several electorates where there are relatively large provincial centres urban population will exceed rural population where under the country quota there was previously a rural preponderance.

12. But whatever the basis of calculation, the Labour Party has clearly greatly improved its electoral chances by passing the Act. It is said that the change will not redound entirely to the advantage of the Labour Party inasmuch as certain of the redrawn urban constituencies (which are now smaller in area than they used to be), containing the houses of the wealthier classes, are more likely to return National members than hitherto. Nevertheless, in my view the new electoral arrangements, added to the factors mentioned in previous paragraphs, and on the assumption that no unforeseen development occurs meanwhile to cause a sudden swing, make it likely that the Labour Party will just succeed in getting a positive response from the electorate when the question of their re-election is put for the third time of asking this autumn.

13. One of the charges levelled against the Labour Party in New Zealand by their opponents is that they stand for government by and in the narrower interests of the working classes of the towns in a country dependent on rural production for its prosperity. It is, I think, unfortunately true that this charge does contain some element of truth. It is the less likely to cease to be true so long as the farmers consistently vote for the National Party. But one interesting result of the latest redistribution of seats is that the National Party, hitherto predominantly the party of the country interest, must in future, if it is again to become the majority party, depend more and more upon the support of a growing number of urban seats, which in turn will probably increasingly look to the development of secondary industries as being in their interests. It remains to be seen whether the conflicting views of New Zealand's economic policy, which may perhaps be expected to flow from this change, will lead to that split in the Conservative and "have" forces which took place, for instance, in Australia. If the National Party is to preserve its present cohesion, greater dexterity of leadership in the economic sphere will clearly be needed in the future than has been essential in the past.

14. The passage of the Electoral Amendment Act was by no means the only step taken by the Labour Government during the last session to improve its electoral chances this autumn. As already stated a vigorous legislative

programme was put through, as though to disprove the contention that senility was afflicting the party. One of the most contentious laws passed provided for the "nationalisation" of the Bank of New Zealand, the only New Zealand registered trading bank. This legislation was put through in order to satisfy pressure from the trade unions and other powerful elements in the Labour Party, and despite the known lukewarmness towards it of leading Ministers, including the Prime Minister and Mr. Nash. The Act provided for the compulsory acquisition by the Crown of the privately owned bank shares registered in New Zealand (as the bulk of them were) and the appointment of the directors by the Minister of Finance. In fact, however, at the earnest request of Mr. Nash, the chairman of the bank and the two shareholders' directors, who had publicly opposed nationalisation of the bank, have agreed to continue in office. So far, therefore, the effect of nationalisation has been purely nominal, and this departure should not be regarded as contradicting paragraph 6 above.

15. More important from the point of view of the Government's electoral dossier were various laws which were passed which confer direct financial and other social benefits on individuals. The Minimum Wages Act, which came into force on the 1st April, 1946, provided for a minimum wage for men of 2s. 9d. an hour, £1 2s. a day and £5 5s. a week, and for women of 1s. 8d. an hour, 13s. 4d. a day and £3 3s. a week. A Factories Amendment Act limited ordinary working hours in factories to forty hours a week and eight hours a day. This Act extended the operation of the forty-hour week, already common in most industries, to various key industries such as the all-important meat-freezing industry, fellmongery, bacon curing and butter and cheese making, where forty-four hours had formerly been permitted. A Shops and Offices Act extended the forty-hour week to shops, with the result that all shops are now closed throughout New Zealand from Friday night to Monday morning. This measure was, however, more popular with the shop assistants than with the harassed New Zealand housewife, who finds that each progressive alleviation in other quarters causes her own difficulties to accumulate. Last but by no means least in this class of legislation, an amendment to the social security legislation provided for general increases in benefit rates, for a minimum family income of £2 for a man, £2 for his wife, and for a new universal family benefit of 10s. a week for each child under 16 from the 1st April this year.

16. Another piece of legislation which is worth a special mention here is the Employment Act, which set up a new Government Department, entitled the National Employment Service, for the purpose of promoting and maintaining full employment in accordance with the Government's declared policy. At the same time, the Government has pressed forward with the rapid abolition of unpopular war-time controls. It was recently announced by the Minister concerned that at the end of June 1946 the last remaining man-power directions under the Industrial Man-Power Emergency Regulations would be cancelled and the regulations revoked. Earlier in some industries the cancellation of directions had already led to a shortage of labour, resulting in a shortage of supplies, and it remains to be seen whether the latest announcement, which means that workers in coal mines, dairy factories, freezing works and hospitals (the last remaining industries in which power of direction had been retained) may now leave, will produce similar difficulties in those vital but unpopular employments.

17. Enough has been said to show that during the last session the Government embarked on a vigorous policy of increasing social benefits. Nor was the opposition of the National Party to this policy more than half-hearted, since, although the latter express great concern at the cost, they are aware of the policy's electoral attractions. And the Government still has one final pre-election opportunity before it. Recently announced figures have disclosed a surplus of £1,254,000 in the Consolidated Fund for the financial year ended the 31st March last (revenue £58,506,000, expenditure £57,252,000). It is confidently expected that in the budget due to be presented next month Mr. Nash will be at pains to introduce what are called "popular" features. He has already indicated as much himself, thereby whetting the elector's appetite. The Leader of the Opposition, for his part, has conveyed the impression that whatever concessions Mr. Nash may make in the budget will, in his view, not be enough. It may be inferred therefore that the elector is being led to expect great things.

18. Many people, including supporters of both parties, are beginning to wonder how, with ever-shortening hours, ever-increasing pay and constantly augmented scales of social security benefits, New Zealand is going to be able to continue to pay her way. I do not propose to overload this despatch by

attempting to survey the economic as well as the political horizon in New Zealand, but it is obvious that in the long run a country not possessed of interest-yielding overseas investments can only enjoy these socially desirable improvements if her production for home consumption and for export is sufficient to meet the increased demand resulting from higher wages and greater social security benefits for both home-produced and imported goods. If this does not happen, the result can only be inflation, which the New Zealand Government are determined at all costs to avoid, if only because it will undo the whole of their work in raising the real wages of the worker. This danger is clearly seen by Mr. Fraser and his principal colleagues and supporters, including the powerful Mr. Walsh, president of the Seamen's Union and president of the Wellington Trades Council, whose recent report on the subject to the New Zealand Federation of Labour received so much publicity. Mr. Fraser, for his part, has personally taken part in, and is known to have given explicit instructions to the Government Information Officer to conduct, a campaign to urge New Zealand workers to greater productive efforts. Speaking, for instance, on the 8th May last to a large gathering of freezing works employees, Mr. Fraser said: "It is the goods and services which you produce on which is based the prosperity of New Zealand. Unless goods are produced without interruption, you can have all the money beyond the dreams of avarice and yet the country will be poor. Under our legislation we can give you the best possible conditions and the highest wages, and social security can be maintained, but unless goods are produced the whole structure will crumble. . . . We must not have the Labour régime defeated by inefficiency in production and unnecessary troubles. . . . As production increases, so those who do the work will get a bigger share." Mr. Fraser, it will be observed, is not only deprecating industrial disputes, of which on the whole New Zealand has been remarkably free, but laying equal stress on maintaining production per man-hour, which, according to all competent observers, has in New Zealand shown in recent years, and still is showing, a most lamentable decline.

19. The 1943 election was fought when substantial numbers of servicemen and women were overseas, and separate figures for civilian and service votes are according available. These show that on the civilian vote alone the election would have resulted in a tie; and the Government got their majority entirely from the fact that they obtained 53 per cent. of the service vote against the National Party's 35.4 per cent. (Democratic Labour had 6.7 per cent. of the service vote.) In the Raglan by-election of March 1946, however, the service votes were divided 42 National and 40 Labour. These latter figures are too small for any conclusion as to a swing to be drawn, but they do emphasise the importance of the returned service vote in the coming election. There is, of course, no likelihood that returned servicemen and women will, like the farmers, vote more or less as a block, and their importance lies in the fact that returned service votes appear in every constituency and may well decide the issue in key electorates. The votes of a substantial number of returned men will no doubt be swayed by the success or failure of the Government's rehabilitation schemes, on which £27 million had been spent by the end of May. These schemes include land settlement schemes, bursaries for post-graduate study and gratuities which are remarkably generous by English standards. The high rate of interest draw-able for three years ($7\frac{1}{2}$ per cent.) which the Government have decided to pay on war-service gratuities left in the Savings Bank was no doubt prompted less by generosity than by fear of inflation, but it is a measure likely to appeal either on the score of generosity or wisdom to all returned servicemen and women. Perhaps, however, the Government's most difficult task here, as in the United Kingdom, is the provision of housing. If the Government can satisfy the people that they are really getting State houses built as quickly if not quicker than possible, and are allocating them fairly, they will have done much to help themselves electorally. The Minister of Rehabilitation recently claimed that 58,000 houses had been built in the last ten years and 9,000 during the last year. The Government aim at building 12,000 houses annually, but to achieve this 9,000 carpenters will have to be trained, raising the number of men in this trade to 16,000.

20. At the moment of writing this despatch the Labour Party has just held and the National Party is holding its annual conference. These conferences are engaged in producing declarations which will in effect be the policies of their respective parties at the next election. I do not, however, propose to hold up this despatch in order to examine them, since it is already sufficiently clear that in neither case will they contain anything startling or invalidate the considerations set out in the preceding paragraph.

21. A survey of election prospects would be incomplete without a reference to the Maoris. In a closely contested election, such as the next election is expected to be, the four Maori seats in a House of only eighty members might prove of great importance and even hold the party balance. It is traditional for the Maori representation to take its political hue from that of the Government, or at any rate from the party which is generally expected to win the election. There is by convention always a Maori Minister in the Government, and it would be highly inconvenient if all four Maori Members of Parliament happened to be Opposition supporters. The Maoris have hitherto managed to avoid creating this dilemma, if necessary, by transferring their allegiance after election from one party to another. At the moment all four Maori Members of Parliament are Labour supporters, and the Government has recently taken steps to strengthen their hold over their constituents. The present four Maori Members of Parliament are, by common consent, very inadequate representatives of Maoridom. They are complete ciphers inside the House of Representatives and, one or two of them, disreputable personages outside. They possess no leadership whatever with their own people. I understand that there is a move to substitute for them others who would fight the election in the Government's interest. Two notable figures have already entered the lists as anti-Government candidates: Sir Apirana Ngata, the best-known figure in Maoridom to-day, and Colonel Henare, the last commander of the Maori Battalion, and himself the son of a late much-respected Maori Member of Parliament. The so-called Ratana movement—a religious movement with a dash of magic and mystery in it—is, however, very strong (all the present Maori members are its nominees) and supports the Government: and its influence is expected to carry the day even against the prestige of such strong candidates as Ngata and Henare. The Maoris are, of course, great beneficiaries from the social security legislation, since the payments, which are the same to them as to the white man ("pakeha," as he is called), represent to the Maori a high and, only too often, a demoralisingly high standard of living. The Government's tenderness towards Maori interests in the matter of the Electoral Amendment Act has already been touched on above. Finally, in the recent session of Parliament the Government put through a comprehensive Maori Social and Economic Advancement Act, and they have followed this up by settling a long-standing Maori claim. Mr. Fraser made, and the Maoris accepted, an offer to the Waikato and allied Maori tribes of a grant of £6,000 a year for fifty years and thereafter £5,000 a year in perpetuity as compensation for lands confiscated in the Maori wars.

22. It remains to mention one other matter. In the United Kingdom it is agreed that the party for the time being in power shall not use the Ministry of Information (when there was one) or kindred organisations staffed by civil servants paid from public funds for the purpose of conducting party election propaganda for the Government. Not so in New Zealand. The Government Information Officer has a substantial staff of persons, selected for their Labour sympathies, who are frankly, if discreetly, preparing material for the coming fight. This situation is, of course, more than suspected by the Opposition and the press, who do not hesitate to attack it. (It remains to be seen whether, if they are returned to power, the Opposition will continue in office the system they now assail.) Clearly this gives the Government an advantage, which to some extent offsets the fact that all the leading New Zealand daily newspapers, with the sole exception of the recently founded Labour daily, published in Wellington, the *Southern Cross*, support the Opposition. New Zealanders are great newspaper readers, and they are well served by a non-sensational press, but one can only assume, from the fact that the last three elections have been won by Labour without the support of a single leading daily newspaper, that New Zealanders maintain a healthy independence of political judgment.

23. All that I have said in this despatch leads to one conclusion. The Labour Government have made a fighting come-back, and have taken a number of shrewdly designed steps to increase their popularity with important sections of the electorate. They have made great efforts to convince the elector that they are still a live and vigorous party, from whom further services may be expected, and they have, in my view, gone a long way to succeeding. My impression is that not even the National Party themselves, in their more candid moments, really expect to win the election, and in that lack of expectation I think they would be right, though it may be a close-run thing.

24. I am sending a copy of this despatch to the United Kingdom High Commissioners at Ottawa, Canberra and Pretoria and to the United Kingdom representative in Dublin.

I have, &c.

PATRICK DUFF.

[W 8287/265/68]

No. 34

(1)

Sir P. Duff to Viscount Addison.—(Received in Dominions Office 30th July.)

(No. 109. Saving.)

(Telegraphic.)

Wellington, 24th July, 1946.

Foreign Affairs.

1. Prime Minister, Mr. Fraser, opened debate on report of New Zealand Delegation to the first United Nations Assembly in House of Representatives on the 23rd July. After announcing that Australia and New Zealand were framing the constitution of a regional commission and that the United Kingdom, United States, France and the Netherlands would be invited to discuss questions common to the islands of the Pacific, such as the health, education, economic life and social advancement of the people, Mr. Fraser said that he was not in a position at the moment to give any great enlightenment about defence in the Pacific. The efficiency of the Security Council was the all-important matter. The veto was retrogressive, and he looked to its elimination as soon as possible. In spite of it, however, he did not think that any nation would be prepared to stand up against the weight of world opinion. A number of nations in favour of the veto at San Francisco would now be glad not to have it. Speaking of defence, Mr. Fraser said New Zealand's position in the Pacific depended on the decisions of the Security Council regarding the Dominion's responsibilities and on the needs of the British Commonwealth of Nations. In the past it had been accepted that Britain should bear an unfairly disproportionate part of the burden of British Commonwealth defence. The time had come when out of self-respect New Zealand should face up to whatever was its fair share. It should not continue to take from a Mother Country harassed by man-power and financial problems. That would mean that defence expenditure would be higher than ever it was before the war. He derived great hope from the fine attitude of Britain and the United States in showing willingness to share the secret of the atomic bomb.

2. Mr. Doidge, the principal National Party spokesman on foreign affairs, regretted that there had not been a much more forthright statement from the Prime Minister. Russia was mainly responsible for the veto and remained the great enigma. Her policy was one of aggression and territorial grab. Sooner or later we would have to throw the challenge down to Russia on what hope was there of world peace? New Zealand could not look to Britain to continue to carry the heavy load she was carrying. "Our loyalty went so deep that we were always reluctant even to criticise any decisions that came from the British Government, but recent decisions of Whitehall were causing concern throughout the Empire. We were losing India. While they were not unprepared for what had happened in India, the decision to evacuate Egypt came as a profound shock to the Empire. The Suez Canal was the imperial lifeline and affected Australia and New Zealand more than any other part of the Empire. New Zealanders had fought in Egypt in two wars, and we knew that we would never have been able to depend on the Egyptians to make the Canal secure." Before Mr. Nash had concurred in the decision in regard to Egypt, had he consulted Sir Bernard Freyberg? To-day they had Russia reaching out in every direction and making the most exacting demands for bases, the United States was demanding bases in the Pacific which were British islands, and was not even satisfied with a 100-years' lease for bases in British islands in the Atlantic, and yet we found Britain surrendering the one base that mattered throughout the whole world. The Suez Canal was vital to world peace, it was vital to Britain, and it was doubly vital to Australia and New Zealand.

3. Mr. Algie, a rising member of the National Party, said there were two serious defects in the San Francisco Charter which, to his mind, ruined any chance it had of being a real success. They were the veto and the clause which said that the agreement rested on the sovereign rights and equality of all nations. He had felt from Mr. Fraser's speech that there were many things he would have liked to tell the House, but could not. He thought Mr. Fraser could have told them a lot about the particular nations that were holding up international peace and the reasons why progress was so slow. If there was someone holding up international agreement and it was indelicate to discuss it in public how could the House be sure that the Prime Minister and his colleagues were pursuing a policy calculated to meet and deal with the position? Would it not be possible to discuss

such matters before they assumed treaty form? In the case of the Canberra Pact and the San Francisco Charter all the House had had to do was to sign on the dotted line. They should know not only what the Government had done but what it proposed to do, if necessary, in secret session. Mr. Algie suggested that a committee on external affairs, representative of both sides of the House, might be established to deal with appropriate matters. (This suggestion has been made by Opposition members in various debates on foreign affairs in the House of Representatives during the last two years.)

4. The Minister of Finance, Mr. Nash, said he hoped the Prime Minister would give thought to the setting up of an external affairs committee, though he was doubtful of the wisdom of holding secret sessions except in wartime. He did not favour the appeasement of Russia, but, on the other hand, there was nothing more dangerous than to suggest that preparations should be made to attack Russia. They had either to work through the United Nations and find a way to understand Russia or get ready to fight. They must take account of the history of the Russian people and of the historical reasons, such as Mr. Churchill's organisation of attacks on Russia in 1917, and an anti-Russian press up to 1941, why they were suspicious of the British. He was not defending some of the treacherous things the Russians had done, *e.g.*, in 1939, but they, like New Zealand, had been the most realistic power in offering total disarmament to the League of Nations. He thought Russia's idea of creating a defensive ring around her territory over-suspicious when Britain and the United States were more anxious than anyone to trust everyone. Mr. Nash twitted the Opposition members because at the same time they criticised Russia for imperialism and Britain for not being imperialistic in Egypt. The fact was that Britain had no alternative, if she were to abide by her declared principles, but to evacuate Egypt at Egypt's request when the treaty with her expired in December. Mr. Nash's speech was remarkable both for its defence of the policy of trying to work in co-operation and understanding with Russia and for the declaration it also contained against communism as undemocratic.

5. Press comment has remarked upon and welcomed the fact that more interest appears to have been taken in this debate by members of the House of Representatives than in any previous debate on foreign affairs. It is evidence of the growing consciousness of foreign affairs as a New Zealand and not merely a United Kingdom problem which is spreading in this country under the stimulus of the obvious risks to New Zealand in the present state of international anarchy, and also to some extent to the example of Australia. The Opposition are concentrating their attack on Russia's aggressive actions and her non-co-operation, and urge an end to a policy of appeasement, which they imply, rather than say, the New Zealand Government might favour. Their motto is "Be prepared." The Government defend a policy of making every effort short of appeasement to work in co-operation with Russia through U.N.O. by avoiding unnecessary provocation and polemics: at the same time guarding themselves against the charge of communism by stigmatising it as undemocratic and unsuitable for British countries. But if the Government would be prepared to see the United Kingdom run greater risks than would the Opposition in trying to secure Russian co-operation, they too have declared the necessity for New Zealand to shoulder a greater burden of British Commonwealth defence, and in carrying out this policy they are assured of the support of both parties. In their attitude to the foreign policy of the United Kingdom Government this question of the degree of risk to be run in attempting to secure international harmony divides the parties. The Opposition has no faith in the good intentions of the Russians and would like to imitate them in looking after their own security first: the Government, no doubt in part because they bear the responsibility of office, have to express a measure of confidence in a policy of running, at any rate, some risks for peace.

(2)

Sir P. Duff to Viscount Addison.—(Received in Dominions Office 16th August.)

(No. 118. Saving.)

(Telegraphic.)

Wellington, 7th August, 1946.

International Affairs.

Mr. Fraser decided to reply to the debate on the report of the New Zealand delegation to the General Assembly of the United Nations, which he had opened

on the 23rd July and in which Mr. Nash had also spoken. He did so in the House of Representatives on the 1st August and then gave a general survey of the international situation.

U.N.O.

Mr. Fraser said that the debate had been most helpful and criticism of United Nations Organisation had been moderate and reasonable. He believed that the veto principle was such a danger that nations would get rid of it as quickly as possible. He believed that certain nations would not have taken part in laying foundations of U.N.O. unless veto principle had been accepted. It was not Russian attitude alone that was responsible for veto principle at San Francisco, it was United States attitude that had been predominant one on that question. Although he detested power of veto as being entirely undemocratic, nevertheless he would sooner have a world organisation with a veto than no world organisation. He thought eventually power of veto would be "lopped off if it did not drop off through its own decay." He did not think it could stand ten years because it did not apply only to a war situation or a situation likely to lead to war; its ramifications went so far that it could stultify, if used to its extreme limits, even reasonable discussion.

He himself could not show undue elation at developments since San Francisco Conference, but he never lost hope and he could not imagine that any of the nations, after affirming the world organisation, would go back deliberately on its principles or do anything deliberately that would destroy it.

While it was fundamental to New Zealand to work in "close co-operation with Great Britain and the other Dominions of the British Commonwealth, we must try to understand the actions of other countries, and, even when we have occasion to oppose them, we should seek to do so without engendering antagonisms and enmities which jeopardise world peace."

France.

Referring to France, the Prime Minister said that, whatever the present difficulties, her greatness had not departed from her and that the historic home of liberty, equality and fraternity was still a great country and had still a great contribution to make to advancement of mankind.

Nuremberg.

On the Nuremberg trials, the Prime Minister said that, apart from general consultation, New Zealand Government were not intimately connected with setting up of the tribunals. He himself felt that the trials could have been shortened, but they were now coming to their end and they could end in only one way.

Egypt.

Discussing Egypt, the Prime Minister said he did not think it was possible for any nation to retain its armed forces, certainly under the Charter of the United Nations, on the territory of any other sovereign country. He hoped that fair democratic action of British Government would be appreciated in Egypt, and that, once treaty was made, there would be an understanding that interests of both countries were identical.

India.

Since debate had opened, the situation in India had apparently got worse. It appeared to him that the attitude of the British Government had caused embarrassment to some of the parties in India, because it was one thing to join in a campaign for independence and self-government and self-determination, but it was another to assume the responsibility. In spite of that, it was his hope that reason would prevail, and that India would accept the friendly hand held out by Britain and the British Commonwealth.

Palestine.

While expressing sympathy for the past sufferings of the Jewish people in Europe, the Prime Minister said that what people with the interests of the Jews (the centre of whose race had now shifted to the United States) at heart would condemn were "stupid acts of outrage such as had occurred in Palestine." Apart, however, from expressing his own and the general goodwill towards both Arabs and Jews, he said nothing else that was positive in a long passage.

Peace Conference.

Turning to the (then) forthcoming Peace Conference, the Prime Minister affirmed that problems of the world could be solved in no other way than by application of principles of the Atlantic Charter and the Charter of the United Nations. There was no reason why the right and just ambitions of nations should not be met, but these ambitions could not be accepted when they went outside the Charter for which the world had fought and suffered.

Discussing Trieste, Prime Minister said that all the nations had pledged themselves not to snatch territory during the war and, in his opinion, attitude adopted by Marshal Tito was wrong. Final settlement of future of Trieste was a matter for the Peace Conference and he hoped that Yugoslavia would agree to internationalisation of the port. This would provide best solution of problem, but it was not right to place Italian majority under alien rule.

The Prime Minister stated that the settlement of the future of the Italian colonies had been postponed for a year, when world might have a better perspective on their future control. Boundary disputes between many European nations, *e.g.*, Bulgaria and Greece, France and Italy, were problems which would have to be solved in accordance with Charter of United Nations.

Asked by member of the Opposition for his view on navigation of the Danube, Prime Minister said that it must be an international waterway and he thought all nations, including Russia, would agree with that view.

On the subject of reparations, Prime Minister condemned attitude of those who believed in extracting the last penny. Such a view could act as a "murderous boomerang to those who imposed them" and he hoped common sense would prevail.

In conclusion, Mr. Fraser stated that, if members wished to discuss any points which might arise during Peace Conference, he would arrange for an opportunity to be given.

[W 10533/265/68]

No. 35

Sir P. Duff to Viscount Addison.—(Received in Dominions Office 22nd October.)

(No. 345.)

My Lord,

Wellington, 15th October, 1946.

IN my despatch No. 201 of the 24th June I attempted a fairly full survey of the New Zealand political scene as it appeared on the eve of the meeting of the present New Zealand Parliament for its last session before the general election, which is now fixed for the 27th November. Now that the last session of the present Parliament has just concluded (Parliament rose on the 12th October), and the election campaign is beginning in real earnest, I propose in this despatch to comment on those matters and tendencies in both the political and economic sphere which have been uppermost in the public mind in this Dominion during the weeks covered by the recent session of Parliament, and which may perhaps exert an influence on the verdict of the New Zealand electors on the 27th November.

2. The recent session of Parliament did not produce any really contentious legislation. Although as many as forty-six public Bills in addition to thirteen local and private Bills were passed into law, most of the Bills, including the most important amongst them, a new Factory Act, were not regarded as contentious as were several of the Bills considered in the previous session, and they went through with little more than perfunctory discussion. Even the Budget, the present Government's eleventh, evoked less opposition than might have been expected in the case of so important a piece of legislation. It was indeed a budget which might very well have been introduced by the Opposition itself. Contrary to the hopeful expectation of Government supporters and the fear of Opposition supporters, it contained no vote-catching concessions to the elector. Indeed, the tax reliefs it included benefited mainly the higher income groups. This both chagrined the Government's own supporters and nonplussed the Opposition. It appears that the Government's vote-winning financial concessions to the lowest income groups, which were indeed substantial and expensive, were those augmented social security benefits announced in the 1945 budget and described in paragraph 15 of my despatch No. 201.

3. The cost and widespread nature of the benefits may be judged from the following facts. Expenditure from the Social Security Fund last year was £N.Z.22,960,000, whereas in the current year it is estimated to be £N.Z.35,788,000,

with the result that this year the fund will be subsidised from revenue to the tune of about £N.Z.15½ million. The Government recently stated in the House of Representatives that the Social Security Department now had 700,000 men, women and children under its care, and at the end of the year the figure would reach 720,000. (The population of New Zealand is 1,746,300.) It has also been announced that up to the end of August 182,247 applications had been received for the universal family allowances which were first announced in the 1945 budget. This figure refers only to families applying. The number of children covered would, of course, be much larger. On the 31st March, 1946, after which date the means test for family allowances was abolished, the number of family benefits in force was only 42,637.

4. These concessions were so arranged as to come into full effect at about April 1946, so that the general public will have enjoyed them for about eight months when the elections are held. They will thus be appreciated at their full value, whilst still sufficiently recent for the elector to remain conscious that he owes them to the Labour Party. At the same time National Party supporters are deprived of the advantage of being able to accuse the Government of election-eve vote-catching irresponsibility. They hope, it is true, that they can count on the disappointment amongst self-designated beneficiaries of the further concessions which the Government might conceivably have made in this year's budget as a factor in their favour at the coming election. In my view, however, it is unlikely that many of those who may be disappointed by the Government's moderation will think that the National Party, had they been in power, would have been more generous in granting concessions than the Labour Party.

5. Although during the recent session the Opposition has done its best to discredit the Government by dwelling upon every instance of alleged improper political partiality and incompetence, and although it certainly put the Government on the defensive, it cannot be said that it has really succeeded in shaking the Government's position. More effective as an Opposition tactic has been the concentration upon the shortage in electricity, gas, coal and consumer goods which has caused a bit of discomfort at any rate in the two largest cities in the North Island. The "hardships" suffered this winter by Aucklanders and Wellingtonians, owing to the cutting off of electricity and gas for substantial periods every day, owing to the impossibility of getting good coal and the difficulty of getting any for domestic firing, and owing to the continued shortage of certain manufactured consumer goods, are, of course, absolutely nothing as compared with the real hardships suffered in the United Kingdom in these and other more vital matters. But, the New Zealander naturally enough concentrates upon his own difficulties first and equally naturally looks round for somebody to blame for them. In New Zealand, where the State, even more than in the United Kingdom, is traditionally looked upon as the universal provider, the reaction to blame the Government is even more prompt and automatic. This tendency has been encouraged by the Opposition. The shortage of electricity, attributed by the Government to the drought, is blamed by the Opposition on lack of Government foresight in not ordering hydro-electric equipment earlier. The coal and gas shortage is attributed by the Government to increased consumption during the war carried over into the peace, no doubt in part due to the growth of secondary industries, combined with the cutting off since 1943 of peacetime imports of coal, which averaged over 110,000 tons annually before the war. Figures announced by the Mines Department show that the production of coal in New Zealand has, in fact, steadily increased from 2,140,217 tons in 1936, to 2,833,576 tons in 1945, so that the Government's contention appears to be accurate. It is also worth mentioning that in the year ending the 31st March, 1946, the Government paid £N.Z.1,148,000 in subsidies to the coal industry. The Opposition, however, blame the shortage on excessive deference by the Government to the miners and the latter's unwillingness to do a good day's work, relying upon the strength of their position that the community is dependent upon their efforts. (It is electorally safe for the Opposition to take this line since the mining vote is regarded as the Government's anyway.) The real fear which the Government entertain for the electoral consequences of the coal and gas shortages is shown by two things. First, at a meeting of miners addressed by the Prime Minister in July, the latter, in somewhat unguarded language, appealed to the men to produce more coal to the best of their ability, and to eliminate stoppages during the next few months, since the continuation of the coal shortage, besides handicapping the country, might also damage the Government's chances in the election. The meeting, as will be apparent from the Prime Minister's unfortunate choice of words, was supposed to be private,

but a journalist is said to have gained admittance disguised as a miner, with the result that the Prime Minister's statement received full and unflattering publicity from the Opposition press. Secondly, the concern of the Government at the coal shortage is shown by the decision to import coal from the United States of America and Canada, despite the fact that such imports presumably have to be paid for in dollars: 50,000 tons were expected to arrive in New Zealand from those sources between the end of August and the end of October.

6. So far as the shortage of consumer goods is concerned, the Opposition has endeavoured to lay the blame upon the Government's operation of its import selection policy. This line has led the Government to point out that import licences issued in 1945 and which on the 15th August had not been exercised, together with licences issued in 1946, amount to £N.Z.93,839,883. In addition a further £N.Z.9,263,188 of licences had then been issued for the 1947 period. This made a total of licences issued for these periods of £N.Z.103,103,071. The conclusion was that the goods simply could not be obtained to enable the imports to be made. This exposure by the Government of the inability of Britain to deliver at any rate some lines of the more essential goods is not in fact a complete answer to the Opposition attacks. Importers point out that, accurate though the Government's claim may be that in many of the more essential lines of imports shortages in New Zealand cannot be attributed to import control, in other lines, regarded by the New Zealand Government as not essential, the goods are now becoming available but the licences are not so. Nevertheless it is the case that, with the election on the horizon, import licences are probably now easier to obtain than they have been for a long time. The combined effect of the increasing flow of production in the United Kingdom and possibly some easing in the licensing position has been that certain lines of articles of everyday use which have been absent since pre-war days have recently reappeared in the New Zealand shops, albeit in restricted quantities which, in the present plenty in the circulation of money, have in general rapidly been sold out. Fabrics, china and kitchen hardware may be specially mentioned. Other shortages still remain to thwart and annoy the would-be shopper, but a persevering optimist might be able with impunity to claim that there has been a perceptible reduction in the housewife's shopping worries in the last few months. In one respect the Government has recently been able to please the consumer. It has become possible to abolish coupon rationing of petrol, and although tyre shortages continue, some relaxation has become possible even here.

7. From the point of view of the threat to its position which might result from irritation at electricity and gas cuts, coal scarcity and consumer goods shortages, the Government is fortunate in the date of the election. With the advance of spring, days are now longer and warmer, and the resultant saving in power and fuel has permitted the discontinuance of restrictions. Memories are short and by the 27th November the irritation of winter cuts may be forgotten, while the increasing trickle of goods in the shops will titillate optimism.

8. It has been suggested that, if the Labour Party lose the coming election, it will be because the women of New Zealand, like the proverbial worm, have at last turned. As I observed in my despatch No. 201, every progressive improvement in the position of the wage earner in New Zealand appears to lay a fresh burden upon the long-suffering New Zealand housewife. She it was who, as the cook, suffered most from electricity cuts and low gas pressure, she it is who still suffers most from such shopping difficulties as the inability through labour shortage of shops to deliver goods to the house, or from shops being closed from Friday night to Monday morning in order to comply with the 40-hours week (longer, if there happens to be a public holiday on the Monday). She it is who finds her own labour burdens constantly increased in order that the "working" man or "working" woman may work less. Many hopeful National Party supporters in consequence look to the exasperated women's vote to bring them to victory next month. I do not, however, myself share this view; as, exasperated or not, I should doubt whether, in this socially conservative country, woman is yet sufficiently emancipated to be likely to vote differently from her husband in sufficiently large numbers to make a substantial difference in the coming election.

9. Whilst therefore I think the concentration of Opposition fire on the Government's alleged responsibility for cuts and shortages was very damaging to the Government during the winter, that particular line is for the Opposition a wasting asset, and on the whole the Government may congratulate itself on having come so well through a winter of discontent.

10. Other causes of complaint against the Government there, of course, are. The housing shortage is the most important. The Population Commission which

recently reported estimated that there is a shortage in New Zealand of 25,000 houses at the present time, so that, taking into account the normal annual demand for houses, in order to catch up with the deficiency 45,000 houses will have to be built during the next three years. Mr. Nash announced in the budget (15th August) that the Government's housing programme envisaged the construction of 12,000 houses per annum during the next five years. He has since stated that 4,000 houses per annum of these were to be built by the State, and, as regards the balance, the figure quoted is only a target which the Government does not in the least expect to see realised. It is clear therefore that the housing shortage in New Zealand will persist for some time to come and will no doubt be a continuing and painful preoccupation to whatever Government is in power. It will also incidentally remain the standard reason—or excuse—for going slow on any immigration proposals. But no one has yet seriously claimed that more houses would be built by the National Party if they were in power than are in fact being built by the Labour Party.

11. In my despatch No. 201 I dealt at some length with the quality of the leaders and back benchers on both sides of the existing House of Representatives. The recent session has not led me to revise my views to any material extent. Mr. Fraser and Mr. Nash, with increasing and industrious support from Mr. Nordmeyer, carry practically the whole burden on the Government side. Mr. Holland has displayed some dignity and force in debate, but still seems lacking in political astuteness and sagacity and in stature. Of both parties as a whole it may be broadly said that the Opposition are more uniform in quality than the Government, a few of whose members rise much higher whilst others fall much lower than the more moderate extremes of capacity and ineptitude on the Opposition benches.

12. On the purely political front it is necessary to supplement paragraph 7 of my despatch No. 201 by recording that the Democratic Labour Party under the leadership of Mr. J. A. Lee, which so nearly lost the last general election to the National Party, has announced that Mr. Lee himself will stand for the Grey Lynn (Auckland) seat which he formerly represented, but that his party is not financially strong enough to put up candidates elsewhere. On the assumption that votes which might otherwise have been recorded for Democratic Labour candidates will now go to the Labour candidates outside the Grey Lynn seat, this must be very welcome news to the Labour Party. It is fairly generally believed in some Labour Party circles that Mr. Lee has in the past been secretly financed by National Party supporters in order to split the Labour vote. Mr. Lee has himself denied the accusation, whilst declaring his readiness to receive funds from any source. I do not myself believe the charge to be true, though naturally no evidence on the subject is available one way or the other. Both of the two major parties are contesting all eighty seats. Besides the one Democratic Labour candidate, it should also be recorded that the Communist Party has announced its intention of contesting three seats.

13. The electoral campaign opens to-night (15th October) with a broadcast speech by Mr. Fraser. Mr. Holland's reply will be made on the 21st October. I do not propose to hold up this despatch in order to examine the respective party programmes which will then be disclosed to the New Zealand electorate. They will in either case, I suspect, need a microscope. Subject to what the electoral campaign itself may bring forth and despite the confidence of victory which has undoubtedly grown steadily in National Party circles in the last six months, I still think that the past performance of the Labour Party is more likely to appeal to the relatively small number of floating voters in a few key constituencies who will on the 27th November decide New Zealand's Government for the next three years, than the pallid and querulous rearguard action which is the only alternative offered by the National Party. Though they generally manage to "get by," in an important juncture in the private lives of mankind "the third time of asking" is an anxious moment. This is the Government's fourth time of asking. Whatever the answer, it is common ground between the parties that whoever wins, will do so by only a slender majority, and it requires only a very exiguous swing of votes against the Government—a swing which, if it does not exist already, may develop during the campaign itself—to bring the National Party into office after eleven years in the wilderness.

14. I am sending a copy of this despatch to the United Kingdom High Commissioners at Ottawa, Canberra and Pretoria and to the United Kingdom Representative, Dublin.

I have, &c.

PATRICK DUFF.

OBSERVATIONS ON NEW ZEALAND GENERAL ELECTION

Sir P. Duff to Viscount Addison. (Received in Dominions Office 2nd December)

(No. 427) Wellington,
My Lord, 16th December, 1946

I have the honour to submit the following observations on the General Election in New Zealand which took place on the 27th November, 1946. The final returns have only just become available with the counting of absentee, postal, seamen's and declaration votes. These latter, owing to the closeness of the voting, might have proved decisive, and did in fact reduce the Government's majority from a provisional figure of 6 to a final figure of 4.

1. Party Policies: Planning v. Competition: Town v. Country

I enclose a comparative synopsis⁽¹⁾ of the main features of the Labour and National Party policies as set out in their election policy statements, or in the opening campaign speeches of Mr. Fraser and Mr. Holland. It will be noted that each party starts off by emphasising that its policy is different from that of the other party. The Labour Party proclaims that it stands for State planning: the National Party that it favours private ownership and competition. When, however, the detailed undertakings of the respective parties on particular current issues of primary interest to the New Zealand voter are examined, it is seen that the difference between the two is remarkably small. What difference there is consists in emphasis rather than in principle. In New Zealand, where traditionally since the days of Sir Julius Vogel and Mr. Richard Seddon, the people have looked to the State to organise and direct their main activities on a national scale, State socialism has become a habit, and resort to it in New Zealand is not the monopoly of the Labour Party either in theory or in practice. Equally, it will be noted that the Prime Minister was at considerable pains to repudiate the Opposition suggestion that he and his party stood for "ultimate socialism." And so the combined efforts of all the country's newspapers failed to convince the man in the New Zealand street that there was a real issue in the election between socialism and

private enterprise. It is symptomatic that a Political Dictionary, which is currently being used to advertise a well known brand of cigarette tobacco, defines "Party Platform (All Parties)" as follows:—

More Social Security, more Tax Cuts, more Luxuries, more 40-hour weeks, more and more More Modern Homes . . more Sweetness, Happiness and Light (subject always to Sugar Supply Position, Changes in Government and Power Shortage).

Similarly "Party Politics" is defined as:—

Parliamentary LaboráTory for splitting atomic hairs.

This attitude accounts for the undoubted apathy with which a proportion of the electors regarded the publicly paraded issues in the election. This is not to say that keen interest was not taken in the struggle, but this was mainly for other reasons.

To some extent both the sound and fury of the contending parties, and the apathy of many electors in face of them, masked the fundamental issue which is in process of being fought out behind the façade of New Zealand politics. That issue is between the interests of the country and of the towns: how far can the country's primary production, which in the last resort pays for New Zealand's high level of imports, be taxed to provide social security and other amenities for the population as a whole, and especially in the urban areas. Any real differences between the two party programmes may be traced to this issue. Labour represents the urban worker, and stands for the development of secondary industries which often add to the costs of production of the rural producer and also divert his labour supply. The National Party is more tender of the interests and views of the farmers. To the farmer, in such circumstances, and to the lower paid urban working man, the election was deadly serious. But their votes were pre-determined and the award of the Parliamentary majority was not in their hands. For this real and deep division was overlaid and to some extent obscured by

(1) Not printed.

the middle position of the urban employing, propertied, professional and middle classes. Both parties compete for this vote, especially of the last mentioned, and the result is that the National Party cannot appear too exclusively a country party, nor the Labour Party go too far in redistributing incomes to the lowest income groups.

2. The Electoral Campaign: Ins v. Outs: The Psychology of Fear

With this background, it is not surprising that the electoral campaign appeared to many, and particularly to those of the floating vote, to be largely a struggle between the "ins" who wished to remain in, and the "outs" who wanted to become the "ins." In these circumstances political argument tended to concentrate itself upon the personalities of the leaders of both sides. Both parties, not having anything particularly new or constructive of their own to put forward which was not also advocated by the other side, tended to concentrate upon the denigration of their opponents. The Labour Party tried to play upon the fears of the lower and lower middle income groups that the National Party if returned to power would reduce Social Security benefits. Mr. Holland for his part could not have given more ample assurance that that was not his party's intention. He in his turn tried to frighten those who held property into the belief that the Labour Party if returned would nationalise everything. The Prime Minister went out of his way to repudiate this intention. He declared that the Labour Party had no intention of socialising "everything and everybody" nor of ever socialising the land. And so it came about that each party, like the patent medicine advertisements, relied on the psychology of fear, and represented itself as giving safety from the ills alleged to be threatened by the victory of the other. The appeal of both was "Play safe and vote for me." Here again is a contributory reason for the election being so quiet.

3. The Election Results

With insignificant exceptions the election was a straight fight between the Labour and National Parties. The Labour vote was not in 1946 split as it had been in 1943 by the intervention of Mr. Lee's Democratic Labour Party, which did not on this occasion run candidates. The three Communist candidates who competed in safe Labour seats failed dismally.

The results of the general election compared with those of 1943 may be summarised as follows:—

Voting—

	1943	1946
Labour ...	447,507 (47.6%)	536,777 (51.3%)
National ...	409,577 (43.5%)	507,045 (48.4%)
Democratic Labour ...	40,711 (4.3%)	...
Communist ...	...	1,180 (0.1%)
Others ...	43,118 (4.6%)	1,890 (0.2%)
Total ...	940,013	1,046,892

Party Strengths—

	1943	1946
Labour ...	45	42
National ...	34	38
Democratic Labour ...	...	...
Communist ...	...	...
Independent ...	1	...

It will be observed that both parties have increased their percentage of the total vote. The Labour Party vote is only some $\frac{1}{2}$ per cent. below the combined Labour and Democratic Labour Party votes at the last election. The National Party has gained 5 per cent. more of the total votes than last time. Although Labour has lost seats, it can hardly be said to have lost heavily in votes.

An analysis made on an Island basis shows that in the European electorates, voting in the North Island was practically evenly divided between the two main political parties, while in the South Island the Government gained its small voting lead of less than 20,000. This evenness of the European vote—(a majority of 18,590 votes for the Government out of 1,010,778 European votes cast)—which was reflected in the precisely even division of seats between the parties 38 to 38, was in contrast with the division of the Maori votes which were 23,059 for Labour and only 11,917 for the National Party. Over one-third of the Labour Party's lead in total votes, and the whole of its lead in seats was due to the Maori vote.

The city seats were divided: Labour 27 and National 7, the rural seats: Labour 6, National 28, whilst the remaining 8 European seats which consist of provincial centres were divided: Labour 5 and National 3. It is also noteworthy that of the 6 rural seats which voted Labour, 3 are mining areas, while in two others larger centres of population within their boundaries determined the result. It would in fact be difficult for the Labour Party in New Zealand to substantiate a claim to represent the farming areas of New Zealand.

Some seats were won by very narrow majorities. Two National seats were won

by 44 and 86 votes respectively and two Labour by 39 and 169 votes. It cannot be said that either party was luckier than the other in this respect.

4. Composition of the House of Representatives

Farmers constitute the largest individual occupational group in the new House of Representatives with 20 out of the 80 members. Trade union secretaries and members who have been active in political or industrial organisations aggregate 13, and next on the list are lawyers with an aggregate of 10. These three groups together comprise more than half the House. Teaching, accountancy and journalism have two representatives each and there are three former ministers of religion. All the trade union secretaries or organisers are Labour members. Of the 20 farmers, 17 are National Party members and 8 of the 10 lawyers in the House also belong to that party. There are 2 women members, both members of the last Parliament, one Labour, one National. The latter got in by the narrowest of margins: the former, a formidable vestal turning the scales, I should say, at 19 stone, by the largest majority in the whole election.

The average age of all members is 53.3 years. The Labour Party's average of 53.4 years is thus only fractionally higher than that of the Opposition. In the oldest age group, however, there is marked disparity. Ten of Labour's 42 members are 65 or more, as against the National Party's 3. On the other hand, 4 Government members are 35 or less compared with the National Party's 3.

Only two members of the National Party are not New Zealanders by birth. They are Australians. Labour's representation includes six members born in England, five in Scotland, four in Australia, two in Wales and one in Ireland.

Twenty-nine members of the House are ex-servicemen. Of the National Party's members one served in the South African War, 10 served overseas in the First World War and five in the Second World War, while one served overseas in both wars. Labour Party's members include eight with overseas service in the First World War and four in the Second.

5. Maori Constituencies

As already stated, whereas the Europeans voted in approximately equal numbers for the Labour and National Parties, the Maoris voted two to one for Labour. This at first sight surprising

disparity is universally attributed to the effects of the Government's Social Security policy. Under Social Security, the Maoris benefit equally with the Pakehas (Europeans). What, however, is a sufficiency for a Pakeha constitutes luxurious affluence for the Maori. For all the lip service which is paid in New Zealand to the quality of the Maori as a member of a superior native race, the New Zealander himself in his heart of hearts really despises the Maori for his laziness, slovenliness, backwardness and general inefficiency. The Maori is, however, tolerated because his numbers are too small and his attainments too limited to constitute a menace to the European ascendancy. The policy of equal benefits to the Maori, moreover, has the advantage of preventing the Maori from being forced into possible economic competition with the European worker.

The fact that, owing to the precisely equal division of the European seats between the Labour and National Parties, it is the Maoris who have decided the election in favour of the Labour Party, and that for the first time in New Zealand history the Government is entirely dependent upon the four Maori members for its majority in the House, has focussed attention on various aspects of Maori representation. This comprises several anomalies. Although the Maori race are not substantially over-represented in the House in relation to their proportion of the total population of New Zealand, the division of the Maori electorate into four Maori constituencies is most uneven. Two of these constituencies returned polls of more than 12,000 votes, one of over 9,000 and the fourth (the one South Island seat) of little more than 1,000. This anomaly in the division of the Maori electorates was pointed out at the time of the debates last year on the Electoral Amendment Act which abolished the Country Quota. The Opposition then complained that the Government's principle of "one man one equal vote," which was being applied with ruthless meticulousness to the European constituencies, should be applied also to the Maoris, but the Government declined to take action. Another anomaly in the matter of Maori representation is the absence of a Maori electoral roll, such as exists in the European constituencies. The creation of such a roll was in fact a plank in the National Party's election programme. It would prevent plural voting by half-caste Maoris in both European and Maori constituencies. This

consideration, and reports which appeared in the press shortly after the declaration of the Maori poll, of gangs of Maoris travelling from polling booth to polling booth in lorries and voting over and over again in the Maori constituencies, have given rise to a renewed agitation for the compilation of such a register. As regards these reports, an examination of the voting papers brought to light nothing that could serve as a basis for action in respect of suspicions of plural voting. Nevertheless, it is claimed in some newspapers that an inexplicably high proportion of the total Maori population appears to have voted in the election, and it cannot be said that suspicion of plural voting has been completely disposed of. There is, in any case, no evidence to show which party benefited by any such plural voting as there may have been. Another point which has been brought to the fore by the sudden importance of the Maori votes is the universally admitted inadequacy, not to say, disreputability, of at any rate three out of the four present Maori members of the House, all of them members of the last Parliament.

To the outside observer, the result of the election in making the Maori members arbiters of the political situation in New Zealand, appears decidedly unfortunate. It may mean, and is expected by the Opposition to mean, that the Government, which during the latter days of the last Parliament showed an especially tender solicitude for the wishes of the Maoris, will pay them still greater attention. The risk is that, in order to ensure the continuance of the loyalty of the Maori members, the Government will be tempted to offer them further concessions which will, with only too much reason, be stigmatised by the Opposition as bribes. This may provoke the Opposition into the position of attacking the Maoris. It will be universally agreed that such a development would be most regrettable, particularly in this country where, for the reason indicated above, there is as yet no acute native problem. It will be particularly unfortunate if such a problem begins to develop at this stage, when the Maori race is increasing in numbers both actually and proportionately to the European population of New Zealand. Even before the election it was possible to discern an incipient nationalism beneath the outward charm of the more educated Maoris and it is to be hoped that they will not take advantage of their new found importance in New Zealand's political life to press demands which may incur lasting resentment from many of

their Pakeha fellow New Zealanders. The incompetence and nonentity of their parliamentary representatives may, on this account, be a blessing in disguise. But none the less I foresee a risk that the fact of the four Maoris patently holding the balance of power between the two sections of the European population may lead to a less indulgent attitude towards them. The Europeans have good-humouredly not grudged the Maoris a seat in the Band wagon. But it may be a different thing when the seat turns out to be a seat on the driving box.

6. Why Labour Won

Reasons for the Labour Party victory and the National Party defeat have been indicated at length in past political reports from this post. It is proposed here merely to summarise briefly the main features. In the first place the Labour victory was made possible by the ending of the split in the Labour vote following the withdrawal of the Democratic Labour Party from the contest, and, secondly, by the abolition of the Country Quota and the creation of a position in which European votes, at any rate, carried equal weight. These two factors, however, merely explain why a Labour majority in votes was translated into a Labour majority in seats. Labour's voting majority reflects the fact that the people of New Zealand in a predominant degree approve and support the Government's record, and especially its social security policy, of which the family allowances are the latest and most popular feature. They preferred to continue in office the party which inaugurated this policy rather than replace them with the party which at the time, whatever it may say now, opposed it. Finally, Labour's win was to a large extent a prosperity win.

The substantial increase in the voting power of the National Party is attributable to the growing restiveness in certain quarters, especially business quarters, at the Government's import control policy, and to the undoubted efficiency of the National Party machine. On the other hand, the party failed to secure a majority probably principally because it had no bold, clear-cut alternative to offer to the policy of Labour. Many electors must have felt that, as the policies of the two parties were so similar, it was better to vote for the party which believed in the policy which it was advocating rather than the one which it was suspected merely offered the same policy in a slightly attenuated form in the hope of securing office.

7. Future Political Outlook

Neither party is by any means happy at the results of the election. On election night the Prime Minister admitted that his majority was not as large as Labour would have liked. This was probably a more candid admission than his subsequent statement that Labour had received an emphatic vote of confidence from the electors of the country as a whole. The Opposition, for their part, clearly intend to make the Government's task as difficult as possible. With a voting majority in the House of four, less the Speaker's vote, the Government will have to remain upon their toes. Already the Prime Minister has foreshadowed a revival of the old custom whereby the Speaker could speak and vote in committee, in order to avoid the Government's majority in committee being reduced to two. The Prime Minister has also given a very definite hint to the effect that the Government will not resign on a catch vote in the House. His words were: "In any case, the fate of the Government is not sealed, their lives are not surrendered on catch votes. The confidence of the people can only be withdrawn by the people; not by a voting accident in the House of Representatives."

One disadvantage of the election results, from the United Kingdom and international points of view, is that it will be increasingly difficult for the Government to send Ministers overseas to British Commonwealth or international conferences during the parliamentary session. This is not merely because the Government's majority is too slender to admit a further depletion. It is also because the Government will need every reserve of debating strength in the House, and could hardly spare such outstanding personalities as the Prime Minister or Mr. Nash. If Ministers are to go overseas at all during the parlia-

mentary session, it is more likely that representatives of the calibre of Mr. Mason rather than of the Prime Minister himself will in future be sent. One Opposition newspaper has taken the opportunity to suggest that in future New Zealand representation at international conferences should be bipartisan. This would give the Government the equivalent of a pair. There has so far been no Government reaction to this suggestion, which in the days when they had a substantial majority they did not favour.

A subject of speculation is the effect of the Government's narrow majority on the perennial struggle which is alleged to take place behind the scenes between the moderate wing in the Labour Party, represented by the Prime Minister and Mr. Nash, and the left wing, which has strong support in some trade unions and in the Labour Party caucus. It is generally expected that the Prime Minister's hand *vis-à-vis* the extremists will be strengthened by the consideration that any by-election which may occur at any time will be of prime importance for the future of the Government. There are, however, some few who think that the effect may be different; that the extremists may argue that the Government's narrow escape is due to its failure to pursue a vigorous and positive line which would strikingly differentiate it from its opponents, and that, anyhow, it will be a good thing to make hay in the diminishing sunshine. Of these alternatives the first seems much the more probable, but one cannot be sure.

I am sending a copy of this despatch to the United Kingdom High Commissioners in Ottawa, Canberra and Pretoria, and to the United Kingdom Representative, Dublin.

I have, &c.

PATRICK DUFF.

CHAPTER VII.—SOUTH AFRICA

[W 15968/108/68]

No. 37

*Sir E. Baring to Viscount Addison.—(Received in Dominions Office
5th September.)*

*Office of the High Commissioner
for the United Kingdom,*

Pretoria, 22nd August, 1945.

Dear Secretary of State,

May I respectfully offer you the best wishes of myself and my staff on the occasion of your assumption of office.

2. I am afraid that South Africa is a country which will produce many thorny problems for you. As you know, the present Government is a Coalition one composed of three elements. The first is the old South Africa Party of Botha and Smuts. The Party was in opposition from 1924, when the Nationalists won a sensational general election, until 1933. At the end of that year the economic crisis arising from General Hertzog's action in keeping South Africa on the gold standard after Great Britain had gone off led to the establishment of a "Fusion Government." But Dr. Malan took the extreme Nationalists into opposition. On the outbreak of war the "Fusion Government" split. When the House voted on Hertzog's neutrality policy a few members previously considered as followers of Hertzog came over to Smuts (who obtained a majority of 13 on the war issue), but the remainder broke away. They have been in opposition ever since. At one time they formed a separate party. But now most of them are with Malan's followers in the fold of a single Nationalist organisation. The second element is the Labour Party led by Mr. Madeley. All its members represent urban constituencies. In the past its strength has been drawn largely from English-speaking South Africans. But an increasing number of Afrikaans-speaking people now belong to the Labour Party and it will be interesting to watch the progress the Party makes in the future among Afrikaners. The third element is the Dominion Party led by Colonel Stallard. The Dominion Party members have all been elected for Natal constituencies. They represent the extreme "British" point of view, and in my personal opinion the Party has no future before it.

3. The United Party Government is dominated by the personality of General Smuts. Needless to say, he is freely and often criticised. The burden of the charge is that his interest in world politics causes him to neglect South African affairs in general and economic and social problems in particular, that he is dictatorial and that he has not picked good men for his Cabinet. But South Africans generally are very proud of his world reputation. They feel that he has enhanced the status of their country and they are particularly sensitive about that status. They feel, too, that no other leader could have brought South Africa into the war and maintained a war effort of some importance. Compared with other countries South Africa's contribution may not have been high, but compared with what it would have been had General Smuts not been Prime Minister or with what was expected in the immediate pre-war years, it has been remarkable. An indication of the hold he still has on the country was given by the result of a recent by-election at Port Elizabeth. A strong Independent candidate lost to a weak Government candidate almost entirely because one of his supporters made a personal attack on the Prime Minister.

4. Most South Africans are, however, concerned about a possible successor to the Field-Marshal. Mr. Hofmeyr has a first-class brain, is an excellent speaker and essentially a man of principle. Unfortunately he lacks to some extent the human touch and has not kept discipline well during the recent periods of General Smuts's absence from the country. Dr. Colin Steyn, who at one time was mentioned as a possible rival candidate, appears now to have faded into the background. Mr. Sturrock is probably the most able of the remaining Ministers, but he is a specialist on transport matters, and in any case it is difficult for an English-speaking South African to become the leader of a Party opposing the Nationalists.

5. At the beginning of the war the "Nationalists" could be divided into three classes. It has been aptly said that all three desired a republic but hoped

to attain it by different methods. On the one hand there were the extremists—Mr. Pirow was the most sensational figure among them—who believed in the use of force in order to overthrow not only the existing Government but also the system of parliamentary democracy. At the other end of the scale there was the Afrikaner Party of General Hertzog and Mr. Havenga who had been his Minister of Finance. Members of this party believed that a republic should not be declared until an appreciable number of English-speaking South Africans were convinced that it was the right form of Government for the country. Between the two lay the great mass of Nationalists, followers of Dr. Malan. These differed from the Afrikaner Party in that they considered that the only practicable method of obtaining a republic was the alteration of the Constitution by a bare majority. The conversion to republican ideas of English-speaking South Africans would follow and not precede the adoption of a Republic Constitution. If in the darkest days of the war they at times expressed a belief in totalitarian ideas they have now eaten their words and claim to be strong upholders of the parliamentary system.

6. But now all this is changed. Dr. Malan lost the 1943 election, but he gained one success. He succeeded in eliminating all dissentient groups both of extremists and moderates. As a result all the members of the opposition benches now follow him and describe themselves as belonging to a party of which the name when translated into English is the Re-United National Party.

7. The Opposition is active without as well as within Parliament. Outside there is both an organisation of persons pledged to violent and direct action and a secret and indirect movement. One is represented by the Ossewa Brandwag, a "shirt" movement of a familiar type. It has lost ground greatly. But its leaders are still vocal, and van Rensburg (their "Führer") publicly deplored the "heroic death of Hitler." The secret and, to my mind, far more important movement is that of the Broederbond. A small society of carefully picked Afrikaners attempts to place its followers in all positions of importance in the Civil Service, the Armed Forces, and public bodies. It has obtained a stranglehold both on the Dutch Reformed Church and on the Teaching profession, at least in the Transvaal and the Orange Free State. Education, other than university and technical education, is in South Africa a Provincial subject.)

8. During the session this year there were many rumours of a "rapprochement" between a group of United Party members—the "Young Turks" of the party—and some of the more moderate Nationalists who are undoubtedly dissatisfied with Dr. Malan's leadership. Several names were mentioned as possible leaders of a "New Centre Party." But there is little doubt that feeling on the misnamed "racial" issue between the republican parties on the one hand and both the English- and the Afrikaans-speaking followers of the United Party on the other hand is still strong. Its future must be considered against the background of recent economic developments in the country. The rise in the price of gold which followed the abandonment of the gold standard started a boom in South Africa. That boom received an added impetus from the war. The expenditure by His Majesty's Government in the United Kingdom in this country on provisions for convoys, on the Royal Air Force Training schemes, on ship repairs, the receipt of large orders from members of the Eastern Group Supply Council, the demands made for South African manufactured goods by adjoining African territories, deprived during war-time of overseas shipments, have all brought wealth to the Union. It has become a creditor country. It has greatly increased the holdings of its own nationals in the gold mining industry. It has built up a large number of secondary industries. Engineering works based on the mainly State-owned steel organisation named Iscor, which in turn is based on the country's extensive coal and iron ore deposits, are notable examples. At the same time it has become increasingly obvious that the Union is not a wealthy agricultural country. The rainfall is low and there are few rivers of importance. The ravages of erosion are increasing each year. As a result of a combination of the increased production of gold arising from the high price, of the growth of the new secondary industries arising first from the gold boom and later from war conditions, and finally of the exhaustion of the soil, a great drift to the towns has occurred. A new population of Afrikaans-speaking town dwellers is growing up, particularly on the Witwatersrand.

9. It follows that the Afrikaner is entering new fields of activity. In particular, Afrikaans-speaking South Africans are being employed in increasing numbers by commercial and industrial firms. The political result is uncertain. On the one hand, I have heard it said that the Afrikaner who enters trade

realises that South Africa, dependent as it is on the sale of gold, cannot live in economic isolation, and that the result of this realisation is a move towards the United Party. On the other hand, commercial organisations have been set up, financed by Afrikaners and with a strong political bias. Examples are a Savings Bank and a Co-operative Trading Society. Their object is to "capture" trade for Afrikaners and their motive is political.

10. Perhaps the future of the relations between the European "races" depends on the answers to four questions. How will the new generation of Afrikaans-speaking South Africans, born in the towns, vote, especially on the Witwatersrand, the key area in South African politics? Will returned soldiers—of whom over 50 per cent. are Afrikaans-speaking—become an important force working towards better relations? Will the growing seriousness of the Native problem compel the two sections of the European population to bury the hatchet? On the other hand, will the attempts of the Broederbond and of its sympathisers to eliminate British influence of all sorts, political, educational, commercial, succeed?

11. I have mentioned the disputes between the two sections of the European population first because these disputes are in the forefront in the minds of all South Africans. But the really important problem in the future is that of relations between Europeans as a whole and Africans. In a letter to your predecessor I suggested that the African population (or the African problem) might be sub-divided into the following four parts:—

- (1) Africans permanently resident in rural areas—these areas are quite insufficient to support more than a small proportion of the population.
- (2) Africans now permanently resident with their families in the towns. These now number nearly 1 million and work for all classes of employers with the notable exception of the Mines.
- (3) Africans who work for European farmers, whether on a temporary contract, after the manner of the British agricultural labourer, or as "labour tenants." The second class are given a portion of the European farm where they may grow their crops and run their cattle. In return, they work a period for the farmer. Their interests receive but little protection and, in my personal view, the large number of natives on European farms have up to date been very neglected.
- (4) Africans whose families live in the rural areas but who at intervals come to the towns to work for a period. This class includes the very important one of African mine workers. These are all males, temporarily resident in the mining compounds. They come partly from the Union, partly from the High Commission Territories, partly from Portuguese East Africa and partly from "Tropical territories."

12. The result is a curious economic structure. In it there are many cracks. The gap between the wages of the European journeyman and those of the semi-skilled or unskilled Native labourer is very great. The gap between the cost of living of the African male temporarily resident in a town compound and that of the African family permanently resident in a town is also large. In the provision of secondary and even of university education for Natives great progress has been made in the Union mainly, though not entirely, through missionary effort. On the other hand, there has been no spread on a comparable scale of primary education. Moreover, the ruthless application of the industrial colour bar, whether directly through statute or indirectly through the application of agreements receiving statutory sanction, or finally through custom, reduces greatly the opportunities for employment of the educated African. A result is the development of a third gap, a gap between a large mass of uneducated and primitive Africans and a small number of highly educated and politically advanced persons. Another result is the appearance among Africans of a class of educated unemployed. These two last developments appear to me, who came to Africa from Asia, to bear an alarming resemblance to the state of affairs only too well known in India.

13. In fact there are increasing indications that the Union Government may expect trouble. During the last year there has been a series of violent riots in the towns. There has also been one notable and successful instance of organised passive resistance more or less on the Indian model. In this case the Native inhabitants of Alexandra, one of the Native "dormitory suburbs" of Johannesburg, successfully boycotted the bus service as a protest against an increase in

fares. This movement towards violence, or at least towards "direct action," is notable among the young. The centre of African education is in the Ciskei, an area in the eastern portion of the Cape Province. There I discovered last month that, during the last year at the Native University at Fort Hare and at two of the three leading secondary schools, a students' riot had occurred. Among young educated Africans there is now a tendency to advocate direct action and to advocate also united action by all non-Europeans against the Government.

14. The background of all this is insufficient land for Africans, the migratory labour system, and restrictive legislation.

15. The segregation policy of the Union expresses itself in:—

- (a) Statutory restriction on the areas where native residence or occupation is permitted both in the country and in the towns;
- (b) The colour bar in industry; and
- (c) The enforcement of the Pass Laws in the towns.

A burning question in Union politics is the migratory labour system. South Africans cannot as yet bring themselves to admit that large numbers of Natives are and will remain permanent residents in the towns. Thus the town Native must carry a multiplicity of documents and is frequently prosecuted in terms of the Pass Laws. His trades unions cannot be recognised by Government or lawfully registered. Few municipalities are prepared to spend any of their revenue from rates on the location. Most still adhere to the view that the location account should be self-supporting. The result has been described in a book recently published, "Slum Clearance at the Slum Dweller's Expense."

16. The great protagonists of the migratory labour system are the members of the Gold Producers' Committee. They declare that if the gold mines were compelled to provide married quarters for their employees many would go out of business. Now great as has been the growth in secondary industries it has not decreased the dependence of the country on gold. On the contrary, this growth has led to an increased demand for imports of capital goods and raw materials. The only export by which South Africa can pay for a high volume of imports is gold. Recent fears that the mines would soon be worked out are probably illusory, and for all these reasons the gold mines remain a very great force in the country.

17. Among Europeans the number of those who may be classed as holding "liberal" views on the Native question has grown and is growing. These views are often expressed in conversation by urban South Africans. They are those taught in the large and Important Witwatersrand University. They are held by Mr. Hofmeyr. They find expression in many English papers. On the other hand they have not spread to the majority either of farmers or of Trades Unionists. During this year's session the Nationalist Party, with on one occasion a single dissentient voice, opposed all bills designed to improve the lot of the Africans. The Johannesburg City Council have recently refused to approve the construction by skilled Native builders of houses designed for occupation by Natives. The liberalism of the English press is matched by the reactionary alarm of the Nationalist Afrikaans papers, and that of the Witwatersrand University by the obscurantism of Stellenbosch, Pretoria and Potchefstroom. Modern white South Africa has greatly increased and will yet further raise expenditure on Natives—education and social insurance are cases in point—but it has as yet shown no sign of any intention to alter its policy of segregation. The idea behind the policy is the Afrikaans phrase "the kaffir in his place."

18. During the next few years relations between the United Kingdom and the Union will probably pass through a critical phase. On the one hand there is a great fund of good will towards Britain, particularly in the traditionally British areas of Natal and the Eastern Province. Many who have no feelings of sentiment for the British connection realise the benefits South Africa has gained from it. The Royal Navy has defended South African shores, and the British taxpayer has assisted South African economy by, for example, the purchase of the entire wool clip throughout the war period. But habit is strong. Britain has for many years been the object of Nationalist attacks. A vested interest in anti-British slogans has grown up among some Nationalist Members of Parliament and journalists. In their hearts these men know they have nothing to fear from us and most of them know, too, that the identity of the Afrikaner people and its symbol, the Afrikaans language, are, following the campaign of recent years for the spread of the use and the growth of the literature of that language, sure of survival. But this they will not publicly admit.

19. The Nationalist creed is and has been since the days of Paul Kruger one of nostalgic isolation. But the leaders cannot insulate their country from the rest of the world. They used to look to Germany. Now they realise both that during the war they have "backed the wrong horse," and that isolation both from a defence and from an economic point of view is impossible.

20. But in these circumstances the Nationalist of to-day looks to the United States rather than to us. American influence is growing in many spheres of life. American ideas are welcomed by Nationalists who wish to be rid of the charge of being isolationists yet continue to hate the British. They appeal, too, on their own merits to certain other South Africans, of whom Mr. Hofmeyr is a notable example. The Americans are active in this country. I might quote two illustrations of the "American infiltration" frequently mentioned here in conversation. One is the American car, far more suitable for rough South African roads than any British model. The other is soil erosion. This is rightly one of the most widely discussed topics of the day. The United States, as contrasted with Great Britain, suffers from erosion problems, and a stream of American literature and American experts on the subject has been followed by the addition to the already very large Legation staff of an "Agricultural Attaché."

21. I have left the three High Commission Territories till the last. Their existence has been described as an "unending lecture on Union native policy." But they might also provide a model and an incentive for those within the Union who disagree with present ideas in that country. They differ greatly from one another.

In the *Bechuanaland Protectorate* the accepted British "Native Authority" policy, the integration of indigenous institutions into the system of government, works well. Tribal sense is strong. Most Chiefs are better educated than the majority of their people. They are influential but checked by the rough democracy of the tribal meetings where all business is discussed and speech is very free. Our difficulties are physical in a vast and arid area.

Until a few years ago the tough and independent highlanders of *Basutoland* were left very much, too much in fact, to their own devices. In the Union and in Southern Rhodesia the tribal system was deliberately and unwisely broken. In Basutoland it was left too uncontrolled. The Chiefs freed themselves from control by the tribal meetings and the Government did not interfere. There were some good results. The national sense survived; the Chiefs succeeded in enforcing throughout a considerable part of the lowland areas the soil conservation measures essential for the country's survival. But other results were bad. There were too many courts, both of first instance and of appeal, the Chiefs put the fines into their own pockets. Now, sweeping reforms providing for the establishment of a Native Treasury, for the payment of fixed salaries to the Chiefs, for a drastic reduction in the number of courts, have been almost unanimously accepted both by the District Councils—recently established and each with an elected majority—and by the Basutoland National Council consisting largely but not entirely of nominees of the Paramount Chief. Our problem will be to make a success of the new Treasury, to develop the District Councils and, on the physical side, to repeat in the high mountains, where some of the most important of South Africa's rivers rise, the conservation measures carried out over between one-third and one-half of that part of the lowland arable land said to require protective measures. Much still needs to be done in the lowlands. But it is in the mountains that erosion and politics are particularly closely connected, and Smuts has shown a personal interest in the condition of the land round the sources of the Orange River.

22. *Swaziland* is a thorn in the side of every High Commissioner. There are nearly 3,000 European residents, Native reserves interspersed with European farms, Native "squatters" living without legal right on European farms, a large and very valuable asbestos mine, a land question with a complicated and, from the Native's point of view, a rather sordid history, in fact the troubles of a piebald country such as the Union or Southern Rhodesia. Having through the folly of an old Paramount Chief lost much of their land, the Swazis are suspicious of all Europeans. Their suspicions, their lack of any properly organised "native Authority" system, the presence of so many Europeans in so small an area and the connection which existed before the outbreak of the Boer War between Swaziland and the Transvaal Republic, all distinguish that Territory from the other two. In social services it is very backward. But I need not now trouble you further since I will no doubt have to write much about the complicated affairs of this Protectorate. I will make only one final point. There

is little doubt that at least in Basutoland and the Bechuanaland Protectorate, most Africans are strongly opposed to transfer to the Union. This is well known. But I have further discovered that these strong feelings are shared by many leading and well-educated Africans in the Union.

Yours sincerely,

E. BARING.

[W 16559/108/68]

No. 38

Sir E. Baring to Viscount Addison.—(Received in Dominions Office, 15th October.)

(No. 341.)

My Lord,

Pretoria, 3rd October, 1945.

I HAVE the honour to report that a Nationalist party congress was held in Johannesburg on the 18th and 19th September. For many weeks before the opening of the congress the Nationalist press had been advertising the congress as "of the greatest importance to Afrikanerdom," for it was to deal with the vital question of the Communist menace.

2. Several days before the arrival of the delegates it was announced that Dr. Malan, the Nationalist leader, would make a "victory" entry into the city on the evening of the 18th September. Escorted by a procession of cars and pedestrians in voortrekker costume, he would drive triumphantly to the City Hall where the congress was to be held. Crowds would be lining the streets to welcome the "Volksleier," as his followers call him. Public feeling was aroused by this announcement. What right, people asked, had the pro-German section to hold victory celebrations? Resentment on the part of a large section of the population at the lethargy of the Government in dealing with Fascist and racialist groups was apparent, and public impatience at the freedom granted to undemocratic elements increased.

3. A few days before the Nationalist party was to hold its victory march, pamphlets bearing the name of the Springbok Legion were distributed in Johannesburg calling on citizens to attend a "protest" meeting. The Springbok Legion, which was established to protect the interests of soldiers, has long been regarded as a political Left-wing organisation in spite of its repeated denials. Though some of its leaders are well-known for their Communist sympathies, many of its members are genuinely concerned with the welfare of soldiers and ex-volunteers. On the morning of the 18th September, the Legion published a provocative advertisement in the *Rand Daily Mail*. Under the heading "Stop the Rot," the Legion announced a mass rally on the City Hall steps at 5 p.m., shortly before Dr. Malan was due to arrive. "In Johannesburg," read the advertisement, "the anti-war, anti-soldier Nationalists meet to lay their plans for the assumption of power. Soldiers—ex-volunteers, citizens, Hitler's spirit must be buried."

4. Between 3,000 and 4,000 people gathered for the mass rally and resolutions were passed urging that the Fascist war criminals of South Africa should be punished, and protesting against the policy of the Government in reinstating interned public servants in their previous positions without loss of privileges. (This referred to a railway worker at East London.) "We are here," said the chairman, "to protest against the usurpation of the word 'victory' by the Nationalists, the people who deliberately stabbed us in the back on every occasion." At the close of the meeting he appealed to those present to go home. But the crowd, now thoroughly aroused, surged to the City Hall entrance, determined to gain admittance to the Nationalist conference.

5. Meanwhile Dr. Malan and his supporters (a photograph of whom I enclose) were proceeding triumphantly on their "victory" march through the streets of Johannesburg. The procession was headed by young men carrying a banner reading "The H.N.P. is on the road to Victory," followed by men and women of all ages bearing vierkleur flags and banners with pro-Nationalist, anti-British and anti-Jewish slogans. As they marched they sang folk and national songs. Perhaps the procession was not quite the triumphal affair that Dr. Malan would have wished, for even he must have felt a trifle disconcerted by the eggs and fruit thrown at the "Volksleier," and by the discovery, at the last moment, of a banner bearing the words "Traitors' Gate" stretched across one of the streets on the route.

6. Shortly before the arrival of Dr. Malan's procession, the crowd which had attended the Sprinkbok Legion rally stormed the City Hall: fighting broke out, and increased as the time for Dr. Malan's arrival approached. The police (700 of whom were on duty) made several baton charges but failed to disperse the crowd. The rioting reached its peak just as Dr. Malan reached the City Hall. He was able to enter the building by a back entrance unobserved by the crowd. The fighting gradually subsided, but the crowd lingered on until after the Nationalist meeting was over, more than two hours later. There were nearly 200 casualties, some of which were serious, though no deaths have been reported. It is interesting to note that General Kemp (one of the Transvaal Nationalist leaders) took strong exception to the B.B.C.'s account of the riots. The announcement that a clash had occurred between the supporters of General Smuts and Dr. Malan was, he said, a distortion of the truth. The H.N.P. had come as a freedom-loving party to hold a congress, but the congress-goers had been attacked.

7. It has been announced that, when the Prime Minister has read the detailed report of the disturbances in Johannesburg, he will decide the question what action should be taken. On the 21st September he received a deputation from the Nationalist party, which recommended that strong action should be taken against the Communist agitators responsible for the riots, and the question of holding an official enquiry was discussed. The idea put forward by the Nationalist press that Moscow was responsible for the disturbances is, of course, fantastic, nor is it true to say that the Springbok Legion deliberately engineered the riots. This organisation is, however, far from blameless, and should not have held an anti-Fascist demonstration at that time and place, if they did not want trouble. Whoever is to blame, the riots were extremely regrettable, for they have lent verisimilitude to Dr. Malan's warnings against communism and will undoubtedly give great impetus to his anti-Communist drive. "If there are people who doubted the danger of communism," said Dr. Malan, on his entry into the City Hall, "now that they have seen what has happened here, they will be convinced of the danger."

8. The Nationalist Union Congress was the first to be held in Johannesburg. The choice of Johannesburg seems to indicate that the Nationalists realise that the political future of South Africa will be decided on the Rand. At the next delimitation the Witwatersrand area will gain several more seats, and the Nationalists are doing their best to improve their organisation there. That they have already done much is certain. Mr. Strydom in one of his speeches at the congress announced that in 1943 there were 300 branches of the Nationalist party in the Transvaal; in 1944 there were 450 and in August of this year the number had risen to 718. It can be assumed that a large number of these new branches have been established on the Rand.

9. The congress was attended by 871 delegates from all four provinces, and the audience on the opening evening numbered over 4,000. The congress adopted as its slogan, "Save South Africa from the Communist danger," and was characterised by violent anti-Communist speeches. One party leader after another spoke of the dangers of equality in South Africa, surrounded as it was by a "black sea." "If you want to solve the Communist danger in South Africa," said Dr. Malan, "you must look for its origin, and it is chiefly the non-Europeans who are influenced by the propaganda of equality." The Government was accused of following a policy of appeasement towards Russia (which was strongly attacked) and the Communists. A definite anti-Communist policy on the part of the Government was demanded, but Dr. Malan said that nothing could be expected from General Smuts, who was bound by international chains and was therefore afraid to say a word against Russia.

10. Colour prejudice was fully exploited by Nationalist speakers and was skilfully combined with the anti-Communist theme of the congress. Mr. Erasmus, though denying that the H.N.P. wished to suppress the native, stated that as soon as the Nationalists came to power, Europeans would be protected against the competition of non-Europeans on the labour market. There would be no native representatives in Parliament, and the Department of Native Affairs would be purged of those officials who were in favour of the abolition of the colour bar.

11. Dr. Jansen, the ex-Speaker of the House of Assembly, a member of the so-called moderate wing of the Nationalist party, and editor of the *New Era*, a Johannesburg publication which is the Nationalists' only English paper, discussed the Indian problem. He said that the Indians were aggravating relations between Europeans and non-Europeans. The exaggerated demands which they made were of no benefit and aimed at encouraging anti-British

propaganda in India. "The best solution to the problem," he said, "is the return of the Indians to India; as long as they stay here they must know that they will get no vote, no equality and will not be allowed to live amongst the whites." Your Lordship will no doubt remember that Dr. Malan, when Minister for the Interior, was largely responsible for the Cape Town Agreement of 1927 signed by the Governments of India and of the Union. In that agreement reference was made to "the considerable number of Indians who will remain part of the permanent population" (of the Union). This was the first official admission that Indians were permanent residents in South Africa.

12. The Nationalists have made much of the presence of an English-speaking delegate from Durban at the congress (Mr. J. Russel-Rockliffe). When he rose to speak he was greeted by tremendous applause. He spoke of the "dark cloud of Indian penetration in Natal. . . . Between the two races in South Africa there are differences, but I hope they will be put aside so that we can act against Indian penetration and communism." Several overtures have been made recently by the Nationalists to the English-speaking section. Speaking at Douglas on the 3rd September, Dr. Bremer said: "We ask for votes from people who have in the past voted against us. The English-speaking people are as welcome in our party as are the Afrikaans-speaking people who supported the United party. We want to build South Africa up in a brotherly spirit. We want to join all forces; we want to be united." At Philadelphia on the 6th September Dr. Malan said: "We do not fight to banish the English language and culture from South Africa. Although in the minority, the English-speaking people have a right to exist. Not one jot or tittle of their rights will be taken from them, but we will not surrender one jot or tittle of our rights." Another reference to the English-speaking section was made by him at the Cape Nationalist Congress which was held at De Aar immediately after the Union Congress in Johannesburg. He indicated the difficulty which the Nationalists had in reaching the English-speaking public. "The mighty Jewish-capitalist English press holds the English section in its iron grip. It is spiritual tyranny. The English press makes the English-speaking section afraid of Afrikaners. Behind everything is the Sons of England organisation with its membership of more than 100,000, which works in silence against the Afrikaner. . . . The Nationalists do not want to drive the English-speaking section away. They want to treat them on an equal footing in the hope and expectation that they will also become Afrikaners though they speak English."

13. One of the few constructive speeches at the congress came from Mr. Strydom, a prominent Transvaal M.P., who outlined the H.N.P.'s social-economic policy. He said that poverty could only be abolished by full employment and social security. Grants to farmers should be increased so that poverty in farming areas would disappear. Coupled with this was the development of the country's industries. Industrialisation must occur partly through private enterprise encouraged by the State, and partly through key industries which should be nationalised. He emphasised that it was a sound principle that the worker should share in the profits. The white worker should be paid a living wage higher than that of the non-European and should never have to compete with the latter on the labour market. He also advocated free health services.

14. The only other point of interest at the congress was Dr. Malan's categorical denial of a possible agreement between the Labour party and the Nationalist party.

15. The influence of totalitarian ideas on the Nationalist Congress was denounced by Mr. Hofmeyr in a speech last week. "The Nationalists," he said, "will stop at nothing to entrench themselves in a position of dictatorship within a republican constitution. . . . They are out, in accordance with the approved Hitler technique, to create bogeys in the public mind so that people may rush to them for protection against these bogeys. Hitler's bogey was the Jews. They also use that. But their main bogey is communism."

16. I am sending copies of this despatch to the United Kingdom High Commissioners in Ottawa, Canberra and Wellington, and to the United Kingdom representative in Dublin.

I have, &c.

E. BARING, *High Commissioner.*

[W 15970/108/68]

No. 39

Sir E. Baring to Viscount Addison.—(Received in Dominions Office, 19th November.)

(No. 406.)

My Lord,

Pretoria, 6th November, 1945.

WITH the end of the war, South-West Africa and its future status has again become a subject of great interest to both the citizens of the Union and the citizens of South-West Africa. In my telegram No. 787 of the 22nd September and previous telegrams I reported on recent discussions between the Union Government and the Administration of South-West Africa. But I feel that it may be useful for you to have information as to public opinion on some of the topics discussed, as well as a very brief report on the 1945 Legislative Assembly elections and on the finances of the territory.

2. While it is realised in South Africa that the future of South-West Africa will be decided by international agreement, it is taken almost for granted that the territory will eventually be incorporated in the Union. Consequently the question as it presents itself to the general public is not so much whether South-West Africa will be handed over, but what form of administration it will have when it is handed over. Speaking in the House of Assembly, on the 19th March, the Prime Minister said: "The mandate will have to be abolished, and the territory can be incorporated as a province of the Union under a special provision. I do not think that the existing provincial arrangement, as it stands in relation to the four provinces of the Union, will be applicable in all respects to a territory like South-West Africa. The circumstances are different. . . . South-West Africa is being administered under an Act which was adopted by this Parliament, and when that incorporation occurs it will be a matter for this Parliament to decide. As it appears to me, a special arrangement will have to be made whereunder the present provincial legislation that applies to other questions will be applied there in certain respects, though in other respects departures will be made."

3. Opinion in South-West Africa strongly favours the status of self-governing colony of the Union. The mandatory status is regarded by the people of South-West Africa as thoroughly unsatisfactory; for the present system of administration is not democratic and in many cases South-West Africa has to rely solely on the judgment of the Administrator. Yet incorporation on the same basis as the other four provinces might have serious economic disadvantages for South-West Africa. For instance, it is estimated that were she a province of the Union nearly 75 per cent. of her revenue would go to the central Government, while only a little over 25 per cent. would go to the Provincial Administration. Estimates made in 1944 by Mr. Ballot, a member of the Legislative Assembly, showed that the amount of money that would be needed in South-West Africa to carry on the functions undertaken by the Provincial Administration (making no provision for expansion or for the rehabilitation of returned soldiers) would exceed the revenue which the province would be able to collect. South-West Africa would certainly press for greater provincial powers than those exercised by the other four provinces; for the territory would not want to be governed from Pretoria, where local conditions are not understood. There is also the fear that, through incorporation, South-West Africa may lose her monopoly over the lucrative karakul industry. On the other hand, South-West Africa is anxious to enjoy the advantages of improved communications, social services and harbour development which incorporation would bring.

4. Public opinion in the Union favours incorporation, though, naturally, protective safeguards for South-West Africa are not of the same interest to the Union citizens as to those of South-West Africa. South Africa's first "Gallup Poll" was taken in the middle of October. The question asked was: "Are you in favour of South-West Africa becoming a fifth province of the Union?" The answer showed that 71 per cent. were in favour, 15 per cent. were against, while 14 per cent. did not know. Analysis of the voting showed that while the majority of the Nationalists who answered the question were in favour of incorporation, about half the number of people who voted against the incorporation were Nationalists. The chief reasons for voting against incorporation were first, that South-West Africa would be a financial burden to the Union, and secondly, that nationality troubles might ensue. 54 per cent. of those who returned "No" answers were in favour of South-West Africa remaining a mandated territory.

5. After the discussions held between the Union Government and the South-West African delegation reported in my telegram No. 787, it was decided

to appoint a commission to consider which Germans should be repatriated. A register with complete records of every German in the territory was compiled by the South-West Africa Administration in the early days of the war, and this will be available to the commission. Once an "undesirable" has been named for repatriation, there will be no appeal to a court of law against the verdict of the commission. Many difficulties will confront the commission in sorting the sheep from the goats, one of which will be the fact that many of the Nazis have children born and brought up in South-West Africa, and some German extremists have married South Africans.

6. While opinion in the Union is sharply divided on the question of the desirability of repatriating Germans (Union Nationalists being opposed to repatriation), both the United party of South-West Africa and the Nationalist party of South-West Africa are agreed that Nazi extremists should be repatriated. The attitude of Union Nationalists was shown last July by *Die Transvaler*, which said in an article "the plan of sending anyone out of the Union or South-West Africa who wants to remain must be described as unkind, unfair and stupid." It was unkind to send people back to a destitute Germany, unfair to drive women and children away from the land of their birth, and unwise to eject elements who were busy becoming assimilated, when every European was needed to preserve white civilisation. The Nationalists of South-West Africa, on the other hand, show far less concern for the Germans than do the Union Nationalists. In an article published last August, the special correspondent of *Die Volksblad* (the Bloemfontein Opposition paper) said that Nationalists in South-West Africa were agreed that the Germans who came to South-West Africa shortly before the war to make trouble, as well as those who had been leaders in subversive Nazi activities, should be deported. Nationalists did not oppose large-scale repatriation and deportation out of sympathy for the Germans, continued the article, but simply because they felt that, from an economic point of view, the territory would suffer if it lost some of its best and most hard-working farmers. Lord Harlech pointed out in paragraph 25 of his despatch No. 198 of the 25th May, 1944, that common dislike of the Germans has united the Afrikaans and English-speaking sections in South-West Africa, and it is probably true to say that South-West Africa on the whole would like to see a good many more than just the extreme Nazis sent back to Germany. Many Germans have become affluent during the war years despite the special tax of an additional 25 per cent. levied on them, and have remained arrogant in manner towards the Union subjects. An article published recently in *The Friend* summed up public opinion on the matter as follows: "We have a situation in which a majority of voters, irrespective of party, are in favour of repatriating the majority of Germans. Only a negligible minority would follow Dr. Malan in the suggestion to take them back into the fold." (This referred to a speech of Dr. Malan's in the House of Assembly, in which he deplored the idea of repatriating all Germans.)

7. The extreme racialism of some of the Germans in the territory has aroused the antipathy of many, and as a result there has been fairly widespread feeling that German should be prohibited as a medium of instruction in schools. The Prime Minister therefore decided that no further public funds should be expended on schools or classes where German is the sole or principal medium of instruction (see my telegram No. 766 of the 14th September). According to Colonel Hamman, the leader of the United party in South-West Africa, it would take about a year to do away with all the German medium schools now subsidised by the Government. There are three Government schools which use the German medium, and seven other Government schools which have a German section. The three private schools at Windhoek, Luderitz and Karibib, which use German will not, of course, be affected by the Government's decision; these schools were formerly subsidised by the Government, but they have been maintaining themselves for many years. There is widespread feeling that the Prime Minister's action in refusing funds to Government German schools does not go far enough, and that German should have been prohibited as a medium of instruction altogether. A large number of people in South-West Africa probably agree with Captain Lardner-Burke, a member of the Legislative Assembly, who said: "It is essential for all the growing youth of this territory to be brought up on the same school benches. The local German private schools are run without any Government subsidy, and it may well be that the German community, helped by bodies overseas, may establish these institutions on such a wealthy basis that they will attract all the German children in the territory." It is obvious that, if there are no German medium Government schools, many more Germans may, for language reasons, send their children to the German private schools. The effect of the Government's refusal to run German schools will thus not be to reduce

German racialism, but to maintain that segregation of German and Union children, which has been so marked a feature in the territory in the past.

8. At the beginning of 1944, dual medium education was introduced in the schools throughout the territory. The home language (English, Afrikaans or German) remains the chief medium of instruction. In standard 5 one, and from standard 6 two, of the other subjects (not languages) must be taught through the medium of one of the other official languages. This applies to both private and Government schools. There are at present forty-eight primary Government schools, four secondary Government schools, and two Government High Schools in the territory in addition to eighteen private schools, two of which are subsidised by the Administration. At the end of 1944, there were approximately 5,600 European children in the schools.

9. The elections for the South-West Africa Legislative Assembly, which were held in May of this year, resulted in a sweeping victory for the United party of South-West Africa which captured all twelve seats, though in several cases the majorities were small. Six members, two of whom were Nationalists, were later appointed to the Assembly, by the Administrator. At the dissolution of the Assembly, of the total of eighteen members, fifteen were United party (including five nominated members), two were Nationalists (both of whom were elected), and one was an Independent, who sat in caucus with the Nationalists. Two parties only contested the 1945 election, namely, the United party of South-West Africa and the Nationalist party of South-West Africa, which correspond more or less to their namesakes in the Union. The former is in no way connected except by sympathy with the Union party—in fact it has declared its intention of maintaining its independence as far as possible. The Nationalist party of South-West Africa is also a local product in its origins, but through the intervention of Union Nationalists like Mr. H. J. Klopper, M.P. for Vredefort, who conducted the election campaign, it is rapidly becoming merely a branch of the Union Nationalist party. Both the United party of South-West Africa and the Nationalist party of South-West Africa desire closer association with the Union with appropriate safeguards for South-West Africa. The constitution of the Nationalist party of South-West Africa is based on that of the Union Nationalist party, having as its basis the republican aim.

10. The German vote in the elections was a negligible feature. Only those who became naturalised of their own accord before the legislation of 1924 and 1928 were not disfranchised by the Naturalisation and Status of Aliens Amendment Bill of 1942. The last delimitation of seats was fourteen years ago. About 25 per cent. of the voters were disfranchised under the legislation of 1942, with the result that in some constituencies there were far more voters than in others. 40 per cent. of the votes cast were Nationalist, so that it is possible that a redelimitation of seats before the election would have altered the results. The overwhelming victory of the United party of South-West Africa may, however, be regarded as an endorsement of Field-Marshal Smuts's policy, and as showing South-West Africa's support of the Union war effort.

11. Her own war record is one of which she can be proud. In a statement last February, the Administrator said that out of a European population of 33,000 (of whom 10,000 were Germans who were not permitted to fight) nearly 2,000 men were at the front. "*Pro rata* to its population, I think South-West Africa has given more in men and money to the war effort than any Commonwealth country We have allocated more than £500,000 for the rehabilitation of soldiers apart from money for the purchase of land." In addition South-West Africa has voluntarily contributed £200,000 every year towards the Union's war expenditure.

12. The war period has been probably the most prosperous in the history of the territory. Exports of slaughter stock and dairy produce to the Union have greatly increased during the war years, while diamonds and karakul pelts continue to be exported overseas.

Between the years 1920 and 1926 the territory enjoyed a period of financial prosperity, mainly due to the larger revenues derived from diamond taxation, but by 1930 the revenues had dwindled and South-West Africa was forced to borrow money. By 1936 she had borrowed £2,500,000 from the Union. Redemption instalments and interest charges on these loans formed such a substantial portion of annual expenditure that in 1937 an agreement was reached with the Union Government, under which the Union agreed not to ask for further payments until the country's financial position improved. When the Administrator presented his budget and announced an accumulated surplus of over £3 million, it was clear that financially the territory was on its feet again. In

July of this year South-West Africa decided to terminate the annual contribution to the Union's war effort, and this was the signal for Mr. Hofmeyr to demand repayment of the debt to the Union. Accordingly, in September the Union Treasury issued a statement to the effect that as from the 1st April, 1945, the interest and redemption payments of South-West Africa's original debt of £2,500,000 to the Union would be resumed. The amount of £900,000 in respect of interest since 1937 would remain in suspense.

13. South-West Africa had, no doubt, hoped that the Union Government (with an eye to the future incorporation of the territory) would cancel the debt. The Administrator has clearly budgeted with this idea in mind. Public finance in South-West Africa is remarkable for the enormous size of its budgetary surpluses. Captain Lardner-Burke, recently described the financial structure of the territory as completely lopsided and unscientific, while he condemned the 1945 budget as a bloated collection of figures. He pointed out that the public of South-West Africa had been called on to pay nearly double the amount of taxation that was necessary. The crowning disgrace, he said, was the underestimation of the income tax, where £225,000 had been estimated and collections were £674,000.

14. I am sending copies of this despatch to the United Kingdom High Commissioners in Canada, Australia, New Zealand, and to the United Kingdom representative in Eire.

I have, &c.

E. BARING.

[W 861/76/68]

No. 40

*Sir E. Baring to Viscount Addison.—(Received in Dominions Office
18th December.)*

Dear Secretary of State,

Pretoria, 11th December, 1945.

YOU very kindly showed interest in the contents of my letter of the 22nd August giving you a general review of South African affairs. Next month the first post-war session of the Union Parliament will start. It will probably be long and much important and contentious business will certainly be discussed. I thought, therefore, that something to fill in the gaps in my previous account and to describe changes which have occurred since it was written might be of use to you.

2. The coalition has broken up. Though both the Labour and Dominion parties are now in opposition, the Government retains the comparatively comfortable majority of 23 in a House of 153. But the future has become uncertain. The life of the present Parliament expires in January 1949, five years after the opening date of its first session. General Smuts has announced that he has no intention at present of giving up the leadership of the country. He appears to be in robust health and walks most evenings 9 miles from the Union Buildings to his farm at Irene. He has reshuffled portfolios, brought into the Cabinet a Cape industrialist and a doctor Member of Parliament well known as the author of a widely read and as widely approved health report containing drastic recommendations to extend and simplify health services. There will be a new delimitation of seats by a Commission of judges before 1949. The total number must remain the same unless the Constitution is altered at a sitting of both Houses, but the Witwatersrand is almost sure to gain seats at the expense of other areas and so become more than ever the political key to the country. It is most unlikely that a general election will take place before the delimitation is complete.

3. Three possible political developments likely to affect the elections are often mentioned:—

(1) The formation by a group of United Party members and by another group of Nationalist members of a new Centre Party (paragraph 8 of my letter of the 22nd August). Little more has been heard of this. I regard with suspicion most stories of a serious split in the Nationalist ranks.

(2) The replacement of Mr. Hofmeyr in the position of heir apparent or, alternatively, his overthrow after he has succeeded General Smuts. An anti-Hofmeyr intrigue is undoubtedly being fomented within the ranks of the United Party. How strong it is I do not know; but it seems that General Smuts will lead the party for several more years.

(3) An alliance between the Nationalists and the Labour Party.

4. Should this last take place it would be a development of first-rate importance. A Nationalist-Labour alliance would probably sweep the Witwatersrand, the great mining and industrial centre of South Africa, and other industrial towns in the Transvaal such as Vereeniging, the home of much heavy industry. Not only would the alliance be important but it would also be a repetition of the past. In 1924 General Hertzog came to power following the formation of a Labour-Nationalist Pact; and the "Pact" Government won a second sweeping victory at the polls in 1929.

5. Attention has, I think, been concentrated on the possibility of a new "Pact" because of the story of the past and because of the sweeping political changes likely to follow the formation of a political alliance between the Nationalists and Labour. Two recent speeches have been taken as straws showing which way the wind might blow. Senator Sidney Smith, the recently elected Mayor of Durban, said a few months ago that he preferred the Nationalists to the United Party. Mr. Vandenberg, a vigorous Afrikaans-speaking Labour Member of Parliament, more recently remarked cryptically that he was prepared to join forces with members of any party. On the other hand the Mayor of Durban proclaimed last week the virtues of a "Buy British" campaign; the Natal Provincial Congress of the Labour Party denounced the idea of a new "Pact"; the same denunciation, but in more abusive language, was published in *Die Transvaler*, an extreme and a widely read Nationalist paper.

6. I was in South Africa during the last years of the old "Pact" Government. The Nationalists were treating their Labour colleagues, led by Colonel Cresswell, with scant consideration. A number of Labour Members of Parliament led by Mr. Madeley (who resigned the portfolio of Labour last month), disgusted with their treatment, had broken away from the Pact. At that time most members of the Labour Party considered that the Party had been harmed by its association with the Nationalists. South African public men have the memories of elephants and it is unlikely that the experiences of those days have been forgotten. At some future date a new Nationalist-Labour "Pact" might be formed. But I am inclined to think that, before this happens, first the memories of the war must become dimmed and, secondly, Dr. Malan must be removed from the leadership of the Nationalist Party.

7. Meanwhile a political pointer has been the result of the recent Municipal elections. In South Africa one-third of the members of each Local Authority retire each year. In Johannesburg there is something like a stalemate. Labour are just the largest single party and there is a Labour Mayor. In Pretoria the Nationalists were thrown out of office. It was the first municipal election fought by the United Party as a party. Generally on the Rand the United Party did better than was expected, Labour not quite as well, and the Nationalists made gains but still have a long way to go. They have only 5 seats out of 42 in Johannesburg and control completely only one council, that of Brakpan.

Indian Affairs.

8. In my last letter I wrote of the troubles between the two sections of South African Europeans and between black and white. I left out the third problem, that of the Indians.

9. If the Indians were spread evenly throughout the Union there would be no serious problem. But the distribution is very uneven. The Free State banned their entry long ago. In the Cape there are few; and those in Cape Town are mainly Muslims and have merged with their Afrikaans-speaking co-religionists who are the descendants of the Malay slaves brought long ago from the Netherlands East Indies. The mass of South African Indians are confined to Natal, especially Durban and the coast belt, and to the Transvaal towns, especially those of the Witwatersrand.

10. They are of two types. First, both in time of arrival and in numbers, are the descendants of the peasants who came usually from Madras, but sometimes from North-East India between 1860 and 1911 to work in the sugar cane plantations and the coal mines of Natal. Secondly, there are the traders who originally came to supply the wants of the indentured men and who stayed to trade with South Africans generally.

11. During recent years, however, a number of the first class have become traders. There has also been a great movement from the country districts of Natal into the towns, especially into Durban.

12. The Indians were brought to Natal for the white man's profit. For some thirty years from their first arrival they were offered numerous inducements to stay. They have in fact been the prop of the economic structure of the isolated

"garden colony" where in a warm climate Europeans shrink from hard physical work. As an agricultural labourer, as a coal miner, as a market gardener, as a semi-skilled worker in a Durban factory, or as a foreman in charge of the Natives in a cane or a wattle-bark mill in the countryside the Indian has been essential to Natal.

13. But since the nineties the Europeans have come to fear and to dislike the Indians. There are three reasons which may account for this attitude:—

- (1) Trade rivalry since the Indian shopkeeper is more than a match for either the Greek or the Eastern European Jew.
- (2) Dislike of what General Smuts describes as "residential juxtaposition" and the penetration of European residential areas is the great cry of the Durban anti-Asiatic.
- (3) Fear that Europeans will be swamped by sheer weight of numbers. An excessive number of Indian men as compared with women came out under indenture. This disproportion between the sexes accounts for the comparatively slow increase in the total Indian population. It has now been wiped out. At present the sex ratio is the same for Indians as for Europeans. The total Indian population now no more than equals the total European population, but it includes far more persons under 30 and far fewer over 60, and will probably soon exceed it.

14. As a result, immigration was closed in 1911 to all but wives and children of Indians already resident; legislation was promulgated forbidding the enrolment of Indians as Parliamentary voters (1896) and as municipal voters (1924); unsuccessful attempts were made to bribe Indians to return to India; in 1943 Indians were forbidden by the "Pegging Act" to occupy or to buy new stands in Durban without the approval of the Minister.

15. The last few years have seen continual attempts by Europeans to limit (1) the purchase of land by Indians, (2) Indian residence, and (3) Indian occupation of trading premises. During the same period the Durban City Council have completely failed to provide housing for Indians. The attitude has been negative. Attempts are made to keep Indians out of certain areas; nothing is done to attract them to other areas.

16. General Smuts' view is in brief that there should be legislative sanction for the creation of separate residential areas, but no legislative steps taken to prevent Indians from buying land or occupying stands for purposes other than residence. But he is pressed from Natal by the Provincial Council and still harder by the Durban City Council to go further. Indians suspect that their opponents wish to organise further restriction indirectly by the use of powers of expropriation given to Local Authorities by housing legislation. A merry row is now in progress about the Natal Housing Ordinance. Unfortunately the Indians have chosen this moment when they are very much in mid-stream to swop horses. They—or at least the Durban Indians who control the Natal Indian Congress—have thrown out their previous leaders, one of whom really had the Prime Minister's confidence, and they have placed in power a number of quite inexperienced young men. These are the leaders of the Anti-Segregation Council. They include in their number many members of the Communist party, and all are pledged to a hopeless policy of no compromise. The position of the representative of the Government of India, who in terms of the Cape Town Agreement of 1926 looks after the interests of South African Indians, is in these circumstances very difficult.

Native Affairs.

17. Debates on Native affairs during the coming session should be of interest. For the first time post-war Native policy will be discussed.

18. The newspapers and the public generally are discussing a wave of crime among Witwatersrand Natives. The discussion has brought to the fore the problem of the 1,000,000 "urbanised" Natives especially on the Rand and at Cape Town. It is clear to anyone of reasonable intelligence that the causes of the wave of crime are to be sought in their conditions of life, in overcrowding, in the defiance of the law forbidding the brewing of beer privately and in the lack of schooling for the children. I was told recently that figures collected by the Johannesburg City Council show that both in the big Municipal location Orlando (where the Council builds houses and rents them to the Natives) and in Sophiatown and New Clare (where plots of land and houses are privately owned and sublet) not more than one child in four is at school. The rest are on the streets.

19. Europeans are becoming frightened. If any improvement is to take place two moves above all must, I think, be made. Each will be unpopular with a large section of Europeans.

20. One move is to meet the European demand that the Natives should live apart from the European but work with him. To organise this on the Rand it would be necessary to build a number of suitable Native townships, to join them to the existing towns where the factories are situated by good roads, and thirdly to provide cheap transport. Unless opinion on "residential segregation" changes it would be necessary to place the new townships well away (perhaps 10 miles) from the centre of Johannesburg. Old townships such as Sophiatown have now been swallowed by the city and have become warrens which should be cleared. But Johannesburg is spreading north. The Native townships might therefore be built to the south and steps taken to control the sale of land near them. But these three things—sub-economic houses, roads, and sub-economic transport would cost the taxpayer much money. Critics could claim with some show of reason that South Africa's economic future depends on the development of secondary industries, that the cost of production of existing industries is too high, and that a general increase in taxes would cause it to become even higher. But if the (white) man in the street retains his feelings about mixed residential areas one day he will have to foot the bill.

21. The other move concerns the European artisan. At present by a variety of methods the African is kept out of skilled trades. If there is to be peace and quiet there must clearly be some relaxation somewhere now that so many Africans are factory workers living permanently in the towns and are no longer temporary visitors from the country. It is difficult to foretell the future of the economic colour bar. On the one hand regulations have been drafted granting an assurance of work over 10 years to the Europeans now in the building trades and more or less as a *quid pro quo* providing for the employment of Natives on skilled jobs when houses for occupation by Natives are being built. These regulations are still being discussed. On the other hand I hear rumours that the attitude of Europeans is stiffening because during the war industrial production having increased and the supply of European skilled workers being limited, the number of non-Europeans in semi-skilled labour has undoubtedly increased and the number of natives proportionate to Europeans has in many cases increased also. The European artisan is often accused of being the main obstacle to the organisation of a better way of life for the town Native. He is neither worse nor better than other white South Africans but, his job being more directly threatened, he is more afraid.

22. Here then I suggest are two questions. Will the European taxpayer meet the cost of proper conditions of life for the town Native? Will the European artisan allow him a reasonable chance to improve his condition?

23. At present I think European feeling is in a state of flux. Most people have neither thought deeply about the problem nor made up their minds. Thus on the one hand it is most encouraging to read that the troops in the Middle East, given the choice of an object for the expenditure of a large sum in a benefit fund, unanimously chose the improvement of health measures among non-Europeans. The volunteer soldiers and airmen are the pick of the country; and the majority is Afrikaans-speaking. Their decision confirms the view that a steadily increasing number of the best among South Africans are beginning to think along more liberal lines. It is greatly to our advantage to encourage these people. Nothing could be worse for race relations throughout Africa than a conflagration in the Union.

24. On the other hand I visited recently the offices of the *Bantu World* in Johannesburg. This is the Native paper with the widest circulation in the Union. It is one of a number of Native papers owned by the big "Argus group." The editor is an African but the manager a European. It is studiously moderate in tone; in fact the objective of those who financed it was to produce some alternative to Communist news sheets. Last year during a riot a mob of 300 Afrikaner hooligans broke into its old offices and burned them to the ground. The management have spent £1,000 on measures of protection for the new offices (steel shutters, &c.). After the riot 24 Natives were sent to gaol. No European was arrested for two months and eventually one European received a suspended sentence. The South African "Liberals" have a long and a hard road to tread and they may make slow progress!

25. But meanwhile feeling between Africans and Europeans is rapidly deteriorating. At the offices of the *Bantu World* I talked with two leading Africans. One was Selope Thema, the editor (a member of the African Representatives' Council which was instituted by one of Hertzog's "Native Acts")

in 1936 to sit in Pretoria in a purely advisory capacity). The other was Dr. Xuma, President of the African National Congress. This is probably the main political organ among Union Africans. It includes Communists among its members. But as an organisation it is not affiliated to the Communist Party, nor has it any relations with those organisations of Indians or of Coloured persons whose members are anxious to organise a united anti-European front.

26. These two spoke of the increasing bitterness among Africans and especially among those in the towns. They went on to volunteer very strong opposition to the transfer of the High Commission Territories to Union control. They claimed that on this matter they were voicing the opinions of all educated Africans. Indeed I have heard the same views expressed twice before—once in Durban by the two leaders of the Natal branch of the African National Congress, one a "moderate" and the other, Champion by name, a well-known stormy petrel and leader in the past of many strikes; again at the African University of Fort Hare by an African Professor named Matthews who is also a member of the Native Representatives' Council.

27. Dr. Xuma has spent several years in the United States and his wife is a Negress from North Carolina. He expresses himself very clearly. I asked him why he was so opposed to the transfer of the Territories. He said in reply that the present Native policy of the Union was wrong; the implementation of that policy was giving rise to racial hatred; the growth of that racial hatred would one day lead to violence and possibly to war. If we transferred control of the Territories our act would be taken by Africans to imply a tacit acknowledgment of the soundness of Union Native policy; would strengthen the hand of those who favour that policy; and would therefore hasten the coming of the day when its evil consequences will be felt. We should, on the contrary, said Dr. Xuma, attempt to make the three Territories into three islands where Union Europeans could see that the relations between black and white are better than in the Union and where Africans are given a greater share in the Government. He would also like to see the Territories as models of economic development. Following a word of warning from me he said he knew that the United Kingdom could not spend great sums of money now but he did hope that a beginning could be made with economic development.

Yours sincerely,

E. BARING.

[W 76/76/68]

No. 41

Sir E. Baring to Viscount Addison.—(Received in Dominions Office, 28th December.)

(No. 486.)

My Lord,

Pretoria, 19th December, 1945.

DURING the last month the United party has been holding provincial congresses as a prelude to the parliamentary session. I propose to discuss only a few of the interesting points which emerged from the strange medley of constructive and destructive speaking, of progressive and regressive resolutions. No dramatic announcements were made, and so far as possible members of the Cabinet avoided committing themselves.

2. Perhaps the most important fact to be noted is the Government's obvious desire to give South Africa an adequate health service. In his opening speech at the Transvaal Congress the Prime Minister gave his solemn and sincere pledge that "the policy which the Government has adopted, and which has been approved by Parliament, will be carried out, and this country will have as efficient a public health system as it is possible to have in the circumstances." Dr. Gluckman, the new Minister of Health, made an announcement which indicated that the first steps had already been taken. He stated that legislation would be introduced at the next session of Parliament for the creation of a National Health Council, to advise and assist him in the planning and direction of the national health services. (The appointment of this council was recommended in chapter 23 of the report of the National Health Services Commission which was sent to you under cover of my despatch No. 434 of the 4th December, 1944). Dr. Gluckman went on to say that it was hoped that the Health Centre Scheme, which was the foundation of the National Health Service, would expand rapidly. About 200

posts for this service were now being considered by the Public Service Commission. A start was to be made with the regionalisation of health services on the lines recommended by the commission, and details were now being prepared for the early establishment of two, possibly three, such regional organisations.

3. A speech by Mr. Hofmeyr on taxation has stimulated interest in the next budget, and has given rise to optimistic speculation. "It is our policy to get rid of war-time taxation, especially those taxes which are closely linked with war conditions—the excess profits duty, the trade profits special levy and the fixed property profits tax," he said. He emphasised, however, that he had never set a fixed time for the removal of these taxes, and the over optimistic were warned that there was no hope of getting back to the pre-war system of taxation. As a result of a higher level of expenditure there must be a higher level of taxation, he said. He repeated this warning some three weeks later when he stressed that national health and social services would cost money which would have to be got by taxation.

4. A striking feature of the congresses was the enormous enthusiasm shown for immigration. The United party now feels that South Africa cannot progress unless the white population increases rapidly. The realisation that gold cannot last for ever and that the secondary industries on which South Africa will have to depend need technical man-power which she cannot herself provide, has led to a demand for a positive Government policy on immigration. The Prime Minister did not commit himself to definite plans, but he showed a real keenness for the idea. Speaking at the O.F.S. Congress at Bloemfontein, he said that a larger population was needed for industrial development. The answer was immigration. He did not believe that that should be done by any artificial means—the dumping of people in the country from abroad to establish industries but in such a way as to benefit South Africa. "In the next five or ten years we shall see that our human resources are not great enough for the industrial development that will come. We have not enough people of our own to do the work. But our doors will be open to those who will help us. That is our immigration policy. It will be put into effect soon—and very soon at that—and it will be a great thing for South Africa."

5. The political advantages of an increased European population are obvious though they were not mentioned at the congresses. The United party stands to gain everything by encouraging European immigrants; so immigration is bitterly opposed by the Nationalists. At the Transvaal Congress it was suggested that selected artisans be invited to the Union from Poland and other European countries, but feeling was strongly opposed to allowing German or Italian prisoners to settle in the Union.

6. Closely linked with the question of immigration is the position of the natives who have not yet been accepted as skilled workers in industry. Speaking at Pretoria, Field-Marshal Smuts said that as well as encouraging immigrants, South Africa should make better use of its native population. The natives, he said, could become a greater market for South African industry, and take a much larger part than in the past in the forward movement of the country. It is obvious that sooner or later the native will be used for skilled work, but in the meanwhile the gap must be filled from elsewhere. It will be greatly to the advantage of the European in the Union if his own position is strengthened before the native can rise above his present level. In this connexion it is interesting to note that Senator Basner, a Socialist who represents the interests of natives in the Senate, declared recently that he was in favour of immigration as it would help to bring about racial harmony.

7. The subject of the current increase in crime came under discussion at the congresses and resolutions were adopted urging the Government to strengthen the police force and to impose severer penalties on criminals. Barely a day passes in South Africa without some horrible crimes being committed. The startling press story that there are sixty murders a month in Johannesburg (the police state that during the last three months there have been on an average thirty a month in the Witwatersrand area) has resulted in urgent cries for Government action. Mr. Lawrence, the Minister of Justice, has promised to make a statement in connexion with proposed measures for combating crime before his departure for Cape Town. This wave of violence, which is sweeping the larger centres of the Union, though serious enough in itself, is likely to have even more alarming results. The criminals are almost entirely natives, and, though they may have European organisers and receivers behind them, these take care to see that they are never caught. An increase of racial friction is the inevitable result. A remarkably liberal spirit towards the native has grown up in the army (the soldiers on their own initiative have been collecting money for a national war memorial

fund to provide health services for non-Europeans), and it will be a tragedy if the returned soldier's attitude changes to one of intolerance and repression.

8. The division in the United party on native policy was clearly shown at the Transvaal Congress. The most extreme speech came from Mr. Wolmarans, the member for Losberg. According to *Die Burger* he said: "We are uneasy. If ever wrong legislation was approved by Parliament, it is the law which allows native representatives in Parliament. . . ." With regard to the increasing amounts of money which Parliament voted for native education, he asked what thanks the Government got for it. Instead, the natives pressed for the abolition of the pass laws, wanted more representatives and wanted not Major van der Byl but one of their own representatives as their Minister. Where was it going to end? If it was not stopped, South Africa would find herself in a precarious position. At present it is the country members of the United party who are most reactionary. At the Natal Congress they demanded a tightening up of the pass laws and the imposition of other restrictions on the African. The urban members represent the liberal outlook, but if crime continues in the cities, there is a danger that their tolerant attitude may be changed.

9. One has only to glance at the front page of *Die Transvaler* to realise that the crime wave has given the Nationalists the golden opportunity for which they have been waiting. The Communist battle-cry has now given way to cries for repressive measures to be taken against the natives. Meetings have been held to protest against the native "reign of terror." They have declared that a situation of emergency exists calling for the most drastic action. They demand death sentences for natives found in possession of arms, tightening up of the pass laws, the imposition of a curfew for natives. The root of the trouble, they declare, is the liberal equality policy of Mr. Hofmeyr and the Communists. The Government should not have allowed natives and Europeans to fight side by side during the war, and in this hour of danger all Europeans, whether English or Afrikaans-speaking, must stand together.

10. Senator Clarkson was asked about the Natal Indians at the Transvaal Congress. He was not able to say very much as the matter was still being investigated by the Cabinet. He made one interesting point. The Europeans, he said, were largely to blame for the way in which the Indians in Natal and the Transvaal had progressed. Eighty per cent. of the money necessary for Indians to acquire property in Natal had been acquired through European building societies. There were restrictive laws in the Transvaal, but these had been evaded in many cases. By this statement Senator Clarkson implied that, though the Pegging Act may lapse, the Europeans are not defenceless against Indian penetration. The *Natal Mercury* of the 30th November reported that there were fourteen property transfers by Europeans to Indians in Durban during October. The total purchase price was £9,934. A striking example of the attitude of Natal Europeans towards the Indians is to be found in the case of the transfer of a house in Tenth Avenue, Durban, which has been the subject of much discussion during the last few weeks in Durban. The purchaser, an Indian, has been subjected to continuous and violent criticism, while there is complete silence about the seller, a European. It may also be said here that the Dominion party, which held its congress last month, adopted a resolution urging the Government to "abandon its policy of procrastination" on the Indian question, and to declare for a Union-wide system of zoning. The congress called on the Government to refuse any demand for the granting of the franchise to Indians on the basis of equal rights.

11. One encouraging resolution (from the point of view of the United Kingdom) was that agreed to in principle by the Cape Congress suggesting that the amount owed by Britain to South Africa for building equipment, munitions, repairs and other materials or services for the prosecution of the war should be cancelled. It was decided to refer the matter to the Government.

12. I am sending copies of this despatch to the United Kingdom representatives in Ottawa, Canberra, Wellington and Dublin.

I have, &c.

(For the High Commissioner),

C. G. L. SYERS.

[W 3605/76/68]

No. 42

Sir E. Baring to Viscount Addison.—(Received in Dominions Office 26th March.)(No. 8. Saving.)
(Telegraphic.)*Pretoria, 21st March, 1946.*

[Extract.]

1. *Royal Visit to the Union.*

THE announcement that the Royal Family is to visit the Union next year has been hailed with tremendous enthusiasms throughout the Union by Government supporters. At a time when both international and domestic problems are causing the Union so much concern, pro-British South Africans have been particularly gratified by this great honour which is to be accorded their country, and are looking forward with profound pleasure and keen anticipation to giving a much-loved family a loyal, affectionate and sincere welcome. Expressions of devotion to the Royal Family, and admiration for the work which they did in Britain during the war, have appeared in pro-Government papers, and already preparations have begun in several towns to make the stay of Their Majesties a happy one. The fact that the Princesses are to accompany their parents has been particularly welcomed. The hope has been expressed by many newspapers and members of the public that His Majesty may open the 1947 session of Parliament, and the Prime Minister is to be asked in the House of Assembly on the 22nd March whether The King will be invited to open Parliament.

The Nationalists through their press have declared their intention of welcoming the Royal Family with the courtesy which is a tradition of the Afrikaner people, but without enthusiasm. They regard The King as the symbol of the "Empire-bond" which they have pledged themselves to break, and though they wish him a pleasant stay in South Africa, they do not intend showing any excitement over the visit. They suggest that General Smuts has arranged the visit for early 1947 as a political move. The country will not be far from the next general election, they say, and General Smuts is hoping to build up British sentiment so that the English section will rally round him.

2. *Foreign Affairs.*

Mr. Churchill's Fulton speech has continued to be a subject for discussion and controversy. The speech as reported in the Union's newspapers might be interpreted in various ways according to the prejudices of various sections. It was most generally interpreted as being nothing less than a call for a united Anglo-American front against Russia. The Nationalists regarded Mr. Churchill's remarks as practically a challenge to war, while most other people seemed to regard them as a mere warning against a drift to war, and condemned or commended Mr. Churchill for his war-mongering or realism as they thought fit. Though it has been frequently stressed that the British Government had nothing whatever to do with the speech, it is clear from the way people speak that they pay great regard to what Mr. Churchill says.

To some extent the exchange between Dr. Malan and General Smuts in the House of Assembly on Mr. Churchill's speech, and on foreign affairs generally, has given the two main European sections of the Union the lead for which they have been waiting in some perplexity. Dr. Malan raised the subject during the budget debate, and outlined the Nationalist party's attitude to a future war with Russia (OPDOM No. 7). He said that the meaning of Mr. Churchill's speech was unmistakable. Mr. Churchill despaired on the value of the machinery developed for the maintenance of world peace, and did not believe that what had been done at San Francisco was a guarantee of world freedom for any length of time. This, Dr. Malan declared, had been his own attitude just a year ago when the Prime Minister had contemptuously belittled his argument that Russia had demanded the virtual destruction of Germany because she regarded Germany as a bulwark against the tidal wave of communism that threatened to engulf Europe. In defiance of her former Allies, Russia was now causing trouble in Persia.

In his reply to Dr. Malan, the Prime Minister once again struck the balances between over-optimism and despondency. He protested against the pronouncement of hurried judgments at the present stage, and pleaded for a spirit of reasonableness and patience in meeting the difficulties in the international sphere. He did not expect a war situation to develop in the world for many years to come, but said that the spirit of the people was so confused and unstable that

circumstances could develop which would be just as destructive as war itself. Both Stalin and Dr. Malan might be wrong in their interpretation of Mr. Churchill's speech, and one could not pass judgment on it as it had been reported in South Africa. General Smuts declared that he would be very careful in ascribing to Mr. Churchill ideas that could lead to a new world war, and doubted whether Mr. Churchill's speech, taken as a whole, would lead to that conclusion. However, the Prime Minister was not prepared to dismiss the situation as a happy one, for "Let us keep our weapons sharp," he said, "Let us be ready for any eventuality. But in the midst of all that let us combine all our resources to make a success of the world organisation." With regard to Mr. Churchill's suggestion for co-operation between the English-speaking nations, the Prime Minister said that this was an ideal with which all agreed, but the creation of any union within the United Nations Organisation would be taken up by other nations and would greatly aggravate present difficulties.

The situation developing in Persia is viewed with the gravest concern in the Union, and with alarm by some. The Nationalist press, always a step ahead in anti-Soviet propaganda, has compared the position of Persia to that of Czechoslovakia before World War II.

Mr. Hofmeyr made a plea for the establishment of a world government in an address in Johannesburg last week. "I can see no other political method of averting the destruction of our civilisation in the altered circumstances created by the atomic bomb than the establishment of a genuinely international community," he said.

3. South-West Africa.

In presenting his cause for the incorporation of South-West Africa (OPDOM No. 5), Mr. Eric Louw based his arguments on international law, and took the view that the Union had the right to annex South-West Africa. In his reply to Mr. Louw's motion, the Prime Minister refused to argue on the legal aspects of the case, and stated that he did not want to flout U.N.O. He indicated what the Government's plans were. In the interests of the Union, and of South-West Africa, he said, the Government claimed that the territory should be incorporated as part and parcel of Union territory, and the Government intended to plead their case. "We are not going to act unilaterally, but are going to argue the case." If they did not succeed in convincing U.N.O., then they would fall back on the *status quo*. If U.N.O. agreed to hand South-West Africa over to the Union, they would still be prepared to render reports as they had done to the League of Nations. The Prime Minister then declared his intention of giving the people of South-West Africa representation in Parliament, whatever was decided by U.N.O. "Whether we get a new agreement or continue under the *status quo* of the present system, it will be necessary for us to give representation to the people of South-West Africa in this Parliament. To my mind there is no question about our right to do it even if we continue under the *status quo*." As the "C" mandate gives the Union full power of administration and legislation over South-West Africa as an integral part of the Union, it seems that there can be no possible objection to this.

Dr. Malan's observation on the discussions on South-West Africa was that incorporation would be a step towards rounding off the Union's territory. It was high time, he said, to carry that process further by incorporating the Protectorates. The stand taken by the British Government on this question last year came very near to a solemn pledge to the native population of the Protectorates that there would be no transfer to the Union without their consent.

European opinion in the Union is strongly in favour of incorporation of South-West Africa, as was shown by the debate in Parliament and by articles which have appeared in both Government and Opposition papers on the subject. It is over the means and not the end that the two parties differ. The Nationalists consider that it is the Union's right to take over South-West Africa, and that U.N.O. has no legal authority, while the United party recognises the authority of U.N.O. and intends asking for South-West Africa as a favour. Mrs. Ballinger, the native representative, probably expressed the views of most Union natives when she urged that South-West Africa should be placed under the Trusteeship Council.

It will be remembered that the Union's delegate last month assured U.N.O. that only after the freely-expressed will of both the European and native population of South-West Africa had been ascertained would the matter be laid before the General Assembly of the United Nations. The *Guardian*, the

Communist newspaper which is in favour of handing South-West Africa over to the Trusteeship Council, alleges that, in ascertaining the view of the native population, administrative officers in South-West Africa are attempting to persuade the natives to give their approval to the scheme to incorporate the territory. The Prime Minister in his speech stated that the Rehbooth bastards had voted unanimously in their council for incorporation. The *Guardian* says that these people themselves exercise a rigid colour bar. The Damaras, Namas and Herero tribes, on the other hand, had flatly refused to consider the suggestion, because of the Union's pass laws, and declared that they wanted government by the Trusteeship Council.

4. Indian Problem.

Despite the Government of India's action of giving notice of their intention to denounce the trade agreement with the Union, the Prime Minister on the 15th March introduced the Asiatic Land Tenure and Representation Bill, the provisions of which were outlined in OPDOM Nos. 3 and 7. The Indians, who regard the restrictions on the ownership and occupation of land as an insult, and the communal franchise as humiliating, are planning a Union-wide campaign of passive resistance as a protest against the Bill. Indians in Natal, the Transvaal and the Cape have agreed that the only "protest weapon" at their disposal is passive resistance. It is not yet clear what the Indians propose to do, but plans for the campaign are to be co-ordinated next week.

Though Mr. Hofmeyr has not obtained any alteration of the Bill in the Indian's favour, he indicated where his sympathies lay in a speech on the occasion of graduation day at the Witwatersrand University. He emphasised the need for freedom from prejudice—particularly colour prejudice. "The plain truth," he said, "whether we like it or not, is that the dominant mentality in South Africa is a Herrenvolk mentality—the essential feature of our race problems is to be found in that fact. The true solution of those problems must be sought in the changing of that mentality. At this time when we are dealing with the Indian problem, although we may be able to settle certain aspects of it, it would be futile to claim that we can solve it while that mentality continues to prevail to so great an extent as is obviously the case to-day."

It is obvious that, in a country saturated in race prejudice as the Union is, so bold a speech by a member of the Cabinet must cause a sensation. Already the Nationalists have seized on Mr. Hofmeyr's remarks and the Prime Minister is to be asked in Parliament "whether the portions of the speech which dealt with the mentality of a Herrenvolk and the colour question reflect the policy of the Government on these matters."

[W 7590/76/68]

No. 43

Sir E. Baring to Viscount Addison.—(Received 11th July.)

(Confidential.)

Dear Secretary of State,

Pretoria, 2nd July, 1946.

DURING the recent parliamentary session a Government composed of the supporters of General Smuts faced without allies the Nationalist Opposition for the first time since 1924. The proceedings were of unprecedented length.

2. The work of Parliament this year was unusual and far from humdrum. South Africans do not ordinarily display great interest in or knowledge of affairs outside the borders of the Union; but General Smuts's speech on the future of South-West Africa diverted attention to the Union's position in "Africa south of the Sahara." Normally it is silently assumed that there are good reasons for the differential treatment of Europeans and non-Europeans; but during the debate on the Asiatic Land Tenure and Indian Representation Bill the ideas behind the whole attitude of white South Africa to non-Europeans were freely discussed. For many years, and without any serious protest from the towns, the people of the country districts of South Africa have held more political power and have demanded more attentions and favours from the Government than their numbers justify; but the merits of the Marketing Act (Amendment) Bill have recently been so widely debated both inside and outside the House that there are now signs of a new line of division in South African politics, a line between town and country.

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The Government.

3. Six weeks ago, before the development of this feud between town and country, it could, with justice, have been said that the position of the Government had strengthened rather than weakened since the cessation of hostilities and the break-up of the war-time Coalition. The Government's record in by-elections has recently been surprisingly good. By-elections have been held in three classes of constituency. First, in the country with Afrikaans-speaking voters in the majority, where the Government have held a seat in a parliamentary by-election in the Cape Province and also in a Transvaal Provincial Council by-election at Barberton. Secondly, in the vitally important Rand area. Here again the Government candidate won easily. Thirdly, in a Cape Town constituency with a very large number of non-European voters (that is, Asiatics, coloured persons and Malays, since Cape Province Africans vote on a separate roll), at a time when the Asiatic Bill was still under discussion. The main threat to the Government candidate came from a Communist. The Communist declared that restrictions now imposed on Indians in Natal would soon be extended to all non-Europeans in the Cape Province; and one of his most prominent supporters bitterly attacked General Smuts. In the event the Government candidate gained a large majority. The local Indians—unlike those at Durban, most of them are shopkeepers—disliking a Communist programme more than the Asiatic Bill, voted for the United Party. Moreover, for the second time during the life of this Parliament an attack on the Prime Minister proved to be a boomerang. He is much criticised in private, but it is clear that open and personal abuse is widely resented.

4. During the last few months the Nationalists then failed to repeat their early by-election successes in country districts. The Communists did not succeed in using the resentment of non-Europeans at the colour policy of white South Africa to divert votes from the Government. Labour candidates made a poor showing both on the Rand and in Cape Town.

5. Peace has brought no great change to the internal policy of this Government. They continue to spend increased sums on native welfare. The Native Educational Vote this year again shows a rise. Natives in urban areas (other than those on contract in the gold mines and living in compounds) have been included in an unemployment insurance scheme, though at lower rates of benefit than Europeans. The lump-sum payments to native sufferers from silicosis, the prevalent disease in the mines, have been raised; but Europeans are still the only mine workers entitled to pensions.

6. In native affairs generally the note is one of good intentions, but of caution. The white rulers of modern South Africa desire Africans to work side by side with them, but to live far from them. Satisfactorily to organise town life in these circumstances will cost money. Money will be needed to build separate native towns, to make roads from those towns to the factories, and to subsidise transport on those roads. The money can be raised since the Government debt is not large, the national income is rising and the Union taxpayer comes off lightly compared with his fellow in other Dominions. The main reason for this last is the comparatively low level of social services provided for semi-skilled and unskilled workers, who are mainly non-Europeans. It cannot be said that a Government has seriously faced the native problem if, as is the case at present, no attempt has been made to meet this bill. The need is becoming increasingly urgent. New census figures for the Johannesburg municipal area show that in recent years the native population has risen far more than the European and now for the first time exceeds it. But the Union's capacity to pay is also increasing, since the new gold discoveries should carry on the rise in wealth due to the war-time boom in trade. The condition of urban natives remains deplorable. It is the will to improve it, not the means, that is lacking.

7. There is still no sign of a change in native policy as distinct from administration. No step has yet been taken to admit more natives to skilled work or to recognise native trades unions. It is true, however, that promises, some more and some less vague, have been made in both cases. Nothing has yet been done to mitigate the severity of the application of the Pass Laws, but a commission of enquiry on the condition of natives in urban areas is about to start work.

8. In finance the Government has been animated by the same spirit of caution. Special war-time taxation has been reduced, not eliminated. The gold mines have received some tax relief, but not as much as they had demanded. Something has been done for the smaller income taxpayer. The Defence Vote

has been drastically reduced and the proposals for the expansion of the South African naval forces dropped. Mr. Hofmeyr has, as always, carefully husbanded the resources of his country.

The Nationalists.

9. Nationalist tactics during the session changed no more than did Government policy. Dr. Malan's party attacked and unanimously voted against all measures designed to improve the condition of Africans, including even the provision for free meals for African school children. They championed the cause of the Germans in South-West Africa whom the Government wished to send back to Germany. They reserved their fiercest fire for Mr. Hofmeyr when, in the course of the debate on the Asiatic Bill, he informed the House that he stood for the eventual abolition of the "political colour bar." They drew terrifying pictures of the plight of white South Africa under the rule of such a heretic. They used the clauses in the Asiatic Bill granting the vote on a communal roll to Indians as a stick to beat the Government. One of their best-known caricaturists represented Smuts and Hofmeyr as entering the walls of Troy in a wooden horse named "Coloured Vote."

10. The Nationalists consider that the session ended with a personal triumph for Dr. Malan. Among captured German documents was a report of conversations early in 1940 between the Doctor and two German women agents. These women were said to have brought oral messages from the German Government urging the Union to make peace, and describing in rather vague terms the benefits to South Africa which in that event would follow a German victory. Mr. Lawrence, the Minister for Justice, read the report to the House. There was insufficient evidence to justify the prosecution of Dr. Malan for treason, but the Minister no doubt hoped to trap the Leader of the Opposition into an admission of the fact of the conversations. In his reply, Dr. Malan did, in fact, admit that one of the conversations had taken place and that no report had been made by him to the Government. A Select Committee was appointed in order to enquire into his conduct. In their report the members more or less exonerated the Doctor, saying that, in the circumstances, he was justified in his neglect to make a report. The reasons given for this remarkable decision appear to me to be very unconvincing.

11. The incident revealed some of the characteristic features of the political scene in South Africa to-day. First, there was the lack of co-operation between Cabinet Ministers—Mr. Lawrence read the paper to the House without any previous notice to or consultation with his colleagues. Next, the scrupulous desire of Mr. Hofmeyr to be fair to the Nationalists was shown in his acceptance of a committee of seven, including three Nationalists, a number far above the proportion of Nationalist members in the House. Finally, the result demonstrates the ability of certain Nationalist members with ingenious legal minds and the power to speak with a misleading air of moderation, to pull wool over the eyes of some English-speaking Members of Parliament.

The Labour Party.

12. The present position of the party is somewhat uncertain. There is no doubt that it is in difficulties. On one side there is pressure from the Communists, who denounce all forms of colour-bar in industry, statutory or unofficial, and appeal to all non-Europeans. On the other side are Nationalist extremists who are attempting to filter into certain trades unions, notably that of the mine workers, in order to turn them into organisations designed to promote the development of a completely Afrikaner State.

13. There is no doubt, too, that during the session there has been serious disagreement within the party. During the debate on the Asiatic Bill Mr. Madeley and two Afrikaans-speaking Labour Members of Parliament joined the Nationalists and the Dominion Party in strongly opposing the grant of any kind of vote to Indians. Mr. Christie, the new Leader of the Labour Party, and other Labour members supported the Government. Mr. Wanless, a Durban Labour Member of Parliament, went further and was the only speaker during three weeks' debate on the Asiatic Bill to join the three representatives of the Cape Province natives in their denunciation of the restrictions imposed on Indian occupation of premises and ownership of land. One Afrikaans-speaking member left the Labour Party and joined the Nationalists.

14. It is therefore not surprising that, in the conversation of United Party members and in the columns of most of the English newspapers, there is frequent mention of a wide split in the Labour Party, and equally frequent expressions of opinion that the party has ceased to be a political force of any consequence.

Members of the Labour Party refute these suggestions. Dr. Steyn, the United Party Minister for Labour, who is a very shrewd observer of the political scene, told me recently that he thinks the Labour Party is far from dead. In particular, they may gain votes in the towns if the United Party loses urban support owing to its food policy. In any case the result of the municipal elections next October on the Rand should give some indication of the political prospects of the Labour Party.

The Asiatic Land Tenure and Indian Representation Bill.

15. The debate on the Asiatic Land Tenure and Indian Representation Bill lasted for three weeks. The Bill was in two parts; and General Smuts firmly rejected all proposals to separate them. The result of the first or tenure chapter will be to give Natal Europeans as much protection from Indian "penetration" as they have ever demanded. The Minister for the Interior will, on the recommendation of a commission of five—of whom two will be Indians—proceed to demarcate exempted areas. From a date five years after the promulgation of the Act his action will require the sanction of Parliament. In those areas occupation for any purpose, residence and ownership will be unrestricted for both Europeans and Asiatics. Outside them an Asiatic will be unable to own land or occupy land or premises for any purpose unless he is exercising a right already in existence on the 21st January, 1946, or unless he is given a special exemption, which will only be granted in exceptional cases. Over a period of years existing rights of Asiatics outside the exempted areas will probably be gradually eliminated, partly in cases of shops through the operation of the licensing laws and partly in other cases through transfers to Europeans which involve permanent loss of Asiatic rights.

16. The result of the second or representation chapter will be that Indians in Natal (who were deprived of the right to become enrolled as parliamentary voters in the 90's and as municipal voters some 25 years ago) and Indians in the Transvaal (who have never enjoyed any franchise rights of any kind) will be enabled between them to vote on a communal roll and return three Europeans to Parliament and one European to the Senate. A second European Senator will be nominated to represent their interests. Indians in the Cape Province will remain as at present on the common roll of parliamentary voters. Indians in Natal only will obtain the right to vote on a communal roll for two members of the Provincial Council; and these may be either European or Indian. In sum then Indians in Natal and the Transvaal receive the same sort of franchise rights as natives in the Cape Province have exercised since 1936, when General Hertzog deprived them of a parliamentary vote on the common roll.

17. The clamour from Natal Europeans against Indian penetration was loud. The Government persisted with the representation chapter in the face of equally loud cries of dissent and equally shrill appeals to racial prejudice from the Nationalists, the Dominion Party and some, but not all, members of the Labour Party.

18. Yet in many ways the passage of the Act was a misfortune. It differs from and supersedes the Pretoria Agreement because (a) restrictions are placed on the ownership as well as the occupation of land; and (b) no attempt was made to negotiate an agreement with Indian leaders and obtain their help in its implementation. As a result the Indians have boycotted the commission which will demarcate exempted areas and are attempting to organise some kind of passive resistance movement.

19. The Pretoria Agreement was the work of the experienced Indian moderates who stand for negotiation with the Union Government. Its rejection has destroyed their position with the Indian community. It has strengthened that of the inexperienced extremists who stand for a united anti-European front and for attempts to force the hand of the Union Government.

20. The Act has destroyed for the moment not only the Indian moderates but also the delicate structure of inter-governmental negotiation between Pretoria and Delhi, carefully and painfully built up over a period of years. The presence of a representative of the Government of India in the Union charged with the duty of representing South African Indians of Union descent was regarded in the past as the best method of approach to the thorny problem of the Union's Indians. Now the Government of India have denounced their trade agreement with the Union and have withdrawn their High Commissioner. They have, however, wisely decided to keep their foot in the door and leave his secretary in the Union.

21. If Africans are excluded then approximately half the population of Natal is now Indian. Taken as a whole the Indian population is younger than the European and therefore likely to increase faster. To my mind it follows

that attempts to confine this large and enterprising section of the people of Natal within comparatively narrow areas will eventually break down.

22. Listening to various speeches during the long debate, two thoughts occurred to me. The first was that during the last fifteen years consciousness of South Africa as a sovereign nation and resentment of everything that remotely smacks of interference from abroad have greatly increased. Almost all speakers in the House joined in surprised and horrified denunciation of the criticisms of South Africa's actions published in India. Secondly, I noticed that, except for Mr. Wanless and the three representatives of the Cape Natives, no Member of Parliament expressed concern at the new and drastic restrictions of rights of occupation and ownership. On the contrary most members took such measures for granted. At the end of the debate a Minister remarked to the editor of a prominent newspaper "I wonder what the world will think of us for this. They will probably regard us as ineffectual Nazis."

The Marketing Bill (Amendment) Act.

23. In the Union the control of the production, the distribution and the price of most food-stuffs is in the hands of boards with producer majorities. The farmer receives a guaranteed price; and the guarantee is not conditional on the practice of good husbandry. There is as yet no rationing system; and the townspeople in the lower income groups, who are mainly non-Europeans, are definitely short of food.

24. These three facts, viewed against the background of a general feeling partly that the countryman receives too many political favours and partly that with the drift of people to the towns political power should also shift to the areas of the growing population, have led to an outburst of criticism of the Government by consumers. The occasion was the publication of the report on the food situation prepared at the instance of the Union Government by Sir Henry French. The Government accepted his main recommendations, notably rationing of wheat and maize products in the nine main centres of population, and the establishment for the control of food distribution of an organisation separated from the Ministry of Agriculture and under a Minister other than the Minister of Agriculture.

25. The main target of criticism was the Control Boards. The Government carried through their own caucus—by, it is said, a majority of only three votes—and through Parliament a Bill authorising the continued operation for one year of the boards pending the report of a Select Committee. There was strong opposition. Town against country is a new line of political division for South Africa. The United Party must now face a threat of a split in its ranks. General Smuts leads a very mixed team. It includes both Socialists and uncompromising champions of private enterprise. It includes also both town and country members. Should a split occur, most of the Afrikaans-speaking members of the United Party would be found on the side of the country and therefore might well go over to the Nationalists. The task of finding a compromise solution, which it will be politically possible to impose on an unwilling farming community and which will also satisfy the suspicious townspeople, will be of great importance.

Economic Affairs.

26. Outside Parliament the outstanding event was a new gold strike in the north-west of the Orange Free State. For some time work in the new area will be in an exploratory stage and 1950 is the earliest year in which gold can be worked. The extent of the deposits is therefore not yet known but prospects appear to be good.

27. If expectations are fulfilled, politically the new strike may mean the end of the Free State as a solid stronghold of die-hard nationalism. At present the Province returns only one United Party member. It may return more if a mixed population flows in to work the gold, since several Nationalist majorities in the Free State are not very large. Socially it may mean a chance to test the merits of a system of married quarters for native mine workers in the gold mines and the abandonment of the present arrangement of the employment in those mines of none but migrant males whose families have remained in native areas and who live in bachelor compounds. As may well be imagined, the opposition to the change is strong. There are in fact practical difficulties; but these are less serious in the case of a new mine.

28. In economic affairs the results will be great. The first and bad result is a wave of speculation on the Stock Exchange. The second and good result should be an increase in orders for manufacturing industries and particularly

for heavy industry. This is all to the good, since South Africa's engineering works are based on home raw materials in a country producing plenty of iron ore, coal (other than coking coal), limestone and certain steel alloys, notably manganese and chrome. Moreover, with improving processes it may one day be possible to work profitably South Africa's great resources of low-grade iron ore and chrome and low-quality coal.

29. The probable increase in mining and therefore in industrial activity in the Union should assist United Kingdom trade. It should increase the importance of South Africa as a market for our exports. In the next few years the United Kingdom is bound to lose trade in some of the simpler manufactured goods as new South African industries develop. Our hope must be to make up this loss by increased exports of capital goods and of quality consumption goods. Our chances of maintaining our total level of exports in the face of expanding secondary industry in South Africa will therefore depend on a rising level of general activity in the Union. Thus, Dr. van der Bijl, chairman of Iscor, the State-owned steel works, speaking of his company's plans to expand both at Pretoria and Vereeniging, said that he hoped in a few years to double South Africa's steel production and raise it to about 1 million ingot tons; but that during the same period he believed that South Africa's consumption of steel products would also double. Meanwhile, our export trade is doing well and in the first quarter of 1946 our exports to the Union were roughly double the value and almost the same volume as those of an average quarter in 1938.

30. The main points in this letter may perhaps be summarised as follows :—

- (1) The Government have done surprisingly well in recent by-elections.
- (2) Recently a dispute has developed between town and country. It concerns the operation of the Control Boards which at present manage the production and distribution of food-stuffs.
- (3) This disagreement threatens to create a new line of division in South African politics and if an acceptable compromise is not found a split may develop in the United Party.
- (4) In the course of the debate on the Asiatic Bill a serious divergence of opinion developed among members of the Labour Party. It is not yet certainly known whether the breach within the party has been healed.
- (5) Results of the promulgation of the Asiatic Land Tenure and Indian Representation Act will probably be the development of a tendency among South African Indians towards extremism, direct action and co-operation with other non-Europeans.
- (6) Most speakers during the long debate gave evidence of the survival of strong racial prejudices.
- (7) There has been cautious progress in the administration of native affairs but no signs of willingness either to alter policy or to embark on any expensive programme of improvement in the conditions of life of urban natives.
- (8) The extent of the new gold discoveries is as yet unknown.
- (9) If expectations are fulfilled a blow may be struck at the Nationalists' position in the Orange Free State; a chance may be obtained to test the possibilities of providing married quarters at new mines for African workers; a great rise may occur in industrial activity throughout the Union and, therefore, in the importance of the Union as a market for United Kingdom exports.

Yours sincerely,

E. BARING.

[W 9508/76/68]

No. 44

Sir E. Baring to Viscount Addison.—(Received in Dominions Office, 19th September.)

(No. 364.)

My Lord,

Pretoria, 12th September, 1946.

IN my despatches Nos. 29 and 116 of the 26th January and the 4th April, 1945, I had the honour to report on certain important pronouncements by Field-Marshal Smuts and Mr. Hofmeyr on the subject of race and colour problems in South Africa. In the present despatch I shall attempt to survey as briefly as possible the present state of this question.

2. As you are aware, since the creation of the Union the native policy of successive Governments has been nominally based on the principle of segregation.

In fact, of course, European dependence on native labour precludes any real separation of the two races; and segregation has resolved itself into little more than the name for certain practices forming part of what Mr. Hofmeyr has described as the "technique of domination." Thus territorial segregation means that natives are not allowed to acquire land outside the native reserves; residential segregation covers measures controlling and restricting their admission to urban areas, where they are confined for residential purposes to separate municipal "locations" for natives or to separate native townships or to compounds, and, last but not most important of all, in the name of political separation they have been denied or deprived of any form of effective representation in Parliament. Segregation, in short, as applied in the Union, is not so much a means of keeping two races apart as of keeping one of them down; and the guiding principle of native policy has been "divide et impera," the South African translation of which should be "segregate to dominate."

3. It is true that an attempt to enforce a measure of real segregation was made by General Hertzog in the native Bills which he introduced into Parliament in 1936. General Hertzog favoured the greatest possible degree of separation. In his relations with Government the native was to deal with separate officials, for his needs he was to receive money from separate funds, as a voter for the Legislative Assembly the name of the Cape Province native voter was to be entered on a separate roll. General Hertzog's chief aim was to arrest the growth of a permanent native urban population, and his Bills were accordingly designed, on the one hand, to encourage natives to remain in or return to the native reserves, which were to be enlarged and "developed"; and, on the other hand, to tighten up the controls and restrictions on the admission of natives to towns, which were to be regarded as European areas and as including no natives in their permanent as distinct from their floating population. In the event, however, General Hertzog's attempt to "peg" the native population broke down owing to the increasing demands of South Africa's expanding industries for a class of native workman who would remain in the factories for several years.

4. It was against this background that Field-Marshal Smuts delivered to the Race Relations Institute at Cape Town in 1942 a much discussed address, which was widely interpreted and welcomed in Liberal circles as marking the end of the policy of segregation. "We have," he said, "tried to carry out that policy and indeed placed it on the Statute Book, but I am sure you will agree the results have been disappointing." How, he asked, could it be otherwise in face of the economic revolution which was transforming South Africa into an industrialised community and, in the process, bringing natives to the towns on an ever-increasing scale? "Segregation tried to stop the urbanisation of the native; it has done nothing of the kind; it has merely accelerated it." And the Prime Minister went on to develop the theme that white South Africa had a solemn obligation as trustee to pursue the welfare of the native people in terms of better education, health, housing, nutrition and housing conditions. "Even if we do not do it in the interest of the native, we will have to do it in our own, because if we do not there will be something to pay."

5. In the second of my despatches under reference I gave reasons for doubting the correctness of this interpretation of the Prime Minister's remarks on the subject of segregation. These doubts have since been confirmed by a speech made by the Prime Minister in the course of the recent debate on the Asiatic Land Tenure and Indian Representation Bill. Speaking of the application to Indians of the principles of "separate land tenure and residence, and separate political representation," he said:—

"We are following a well-known South African principle, we are following practices and principles which have been adopted by us, which have been approved here in Parliament, practically unanimously, and which we regard as important to the structure of our complete society in South Africa We have finally gravitated towards the old solution which was found for the native question."

And again:—

"I think we have decided, I think South Africa has decided, once and for all, that our complex society will be dealt with on separate lines. We have done it in the case of the natives and we are doing it in the case of the Indians. Any other system, I think, will lead to endless friction That is the system which has been accepted with regard to the natives, and if we are to live in peace here together in South Africa it will have to be the accepted policy with regard to the Indians."

In the light of these words it seems clear that the Prime Minister's reference in 1942 to the future of segregation should be construed as applying only to General Hertzog's abortive experiment in "pegging" the native population and that he has no intention of departing from what he described in his speech on the Indian Bill as "the old and well tried principles" of Union native policy.

6. To native and pro-native opinion the Prime Minister's latest words on this subject have come as a severe shock and disappointment. Speaking after him in the Indian debate, one of the native's representatives, Mrs. Ballinger, said that the most disturbing feature of his speech was the implication that the system which had been applied to Africans was to become the pattern for the treatment of all racial minorities in South Africa. She has since expressed the opinion that all the evidence goes to show that the Government are tending to extend rather than to abandon the so-called policy of segregation, which, with its corollary, the colour bar, and the economic rigidities occasioned by that colour bar, she regards as the root cause of mass poverty and malnutrition in South Africa. Much the same view is taken by the Native Representative Council at Pretoria, which has lately declared the continuation of the policy of segregation to be a breach of faith towards the African people as well as contrary to the Atlantic and the United Nations Charters, and has adjourned, so it is said, indefinitely as a protest, after calling on the Government "for the authorities to abolish all discriminatory legislation in the country."

7. The Nationalists, on the other hand, take a diametrically opposite view of the Government's racial policy. Ignoring the Prime Minister's speech, they have concentrated on certain recent utterances by Mr. Hofmeyr (quoted in paragraph 9 (2) below), on the strength of which he is misrepresented as standing for the equality of all races. Such sentiments on the part of the Prime Minister's probable successor are described as a threat to "Baasskop," the expressive Afrikaans word for white domination, and so leaving Europeans, whether their language be English or Afrikaans, no alternative between enlisting under the banners of the Nationalist leaders or of allowing South Africa to be submerged under a black and yellow sea. According to Dr. Malan, the leader of the Opposition, the Indian Bill is a fictitious measure of segregation. Under its cover the Prime Minister, actuated by the need of placating Mr. Hofmeyr, has in reality, it is said, extended the principle of non-European representation, which, carried to its logical conclusion, as desired and intended by the Minister of Finance, can only result in the domination of Parliament by a solid *bloc* of African, Asiatic and coloured representatives, and the abolition of all the existing colour bars, without which "South Africa can have no other future than that of a third-rate South American half-caste population." The Nationalist cry now, as ever, is "the Kaffir in his place."

8. Where does the truth lie between these conflicting interpretations of the Government's racial policy? During the four and a half years which have passed since the Prime Minister's address to the Race Relations Institute much has been done for Africans, and much has been left undone. To arrive at a correct answer it is therefore necessary to strike a careful balance.

9. On the credit side it may be claimed that—

(1) There is a growing interest in and knowledge of native affairs in some, though not all, sections of the European public. This does not apply to the country districts, whose Members of Parliament during the recent session opposed most expenditure for the benefit of natives and, in particular, the provision of free meals for native school-children. But, in general, the expansion of South African industry and the consequent influx of Africans into the towns, the comparatively rapid spread of secondary and even university education for natives, and the experiences and impressions of those who served with the Native Military Corps in North Africa, have all helped to bring home to thinking South Africans as never before the importance and urgency of the native problem. An example has been afforded by the troops of the 6th South African Division, who suggested that the national war memorial should take the form of the provision of improved health services for non-Europeans. For this purpose they collected about £10,000 and the Government are now considering the establishment of a National War Memorial Health Foundation intended, however, to assist persons of all races.

(2) Mr. Hofmeyr's successful maintenance of his position in South African politics shows that to criticise and attack, at least in general terms, the attitude of South African Europeans towards non-Europeans and

natives in particular is no longer incompatible with high political office. Last year he expressed himself very frankly on this subject at a meeting of the Race Relations Institute, and during the present year he has twice repeated and, indeed, emphasised these views. Speaking at a graduation ceremony of the Witwatersrand University, he said:—

“The plain truth, whether we like it or not, is that the dominant mentality in South Africa is a *Herrenvolk* mentality—the essential feature of our race problems is to be found in that fact. The true solution of these problems must be sought in the changing of that mentality.”

Again, in the course of the debate on the Asiatic Land Tenure and Indian Representation Bill, he said that he was “not entirely happy about certain aspects of the franchise proposals”; that he accepted the franchise chapter of that Bill as a second best and because “it was so important that the process of deprivation of political rights should be reversed”; but that he took his stand on the ultimate removal from the Constitution of South Africa of “the colour bar in relation to parliamentary representation.”

(3) Each year the European taxpayer has accepted an increase in expenditure for the benefit of Africans. An example is the gradual and sustained rise in the Native Education Vote from £576,000 in 1933–34 to £3,400,000 during the current year. (The latter figure includes the sum of £860,000 for free meals for native schoolchildren which have been provided in primary schools since the end of 1943.) Provision has also been made for old-age pensions for Africans, for disability pensions and for pensions for the blind. The rates in all cases are, however, below those for Europeans and provide some differentiation between Africans permanently resident in the towns, others living on European farms, and yet others who maintain their residence in the scheduled areas (*i.e.*, native reserves) and the released areas. During this session a Bill has been passed for contributory unemployment insurance. Africans, other than those employed on farms or in the gold mines, will contribute and receive benefits. By a further Act of the Union Parliament provision has been made for a considerable increase in the lump-sum payments made to African sufferers from silicosis. Demands put forward for the payment to African mine workers who suffer from silicosis of a pension at a lower rate than is paid to European sufferers were, however, rejected. The Union Government are pressing forward with the establishment of health centres; and the work at these centres will in many cases be in purely or in predominantly native areas. In brief, there has been a steady, if cautious, advance in expenditure for the material benefit of the African population of the Union; and this movement has exploded the theory, to which the Nationalists still cling, that the money spent for the benefit of natives should not exceed the sum contributed to the Exchequer by natives in the form of payment of direct taxes.

(4) By now an effective system for the regulation of minimum wages for natives has been extended throughout the Union. In organised trades, where there are registered trade unions, wages are fixed by industrial councils. The Government have no representation on these councils, but the Minister must approve agreements made by them. Natives may not become members; but the councils may fix minimum wages for natives and, when doing so, must allow a Government official to attend in order to represent the interests of the native workmen. In unorganised trades minimum wages are regulated by determinations published by the National Wage Board, whose members are nominated by the Government. During the last few years many determinations have been issued. The result is that in South Africa the wage gap between the skilled European and the semi-skilled or unskilled African is now smaller than in Southern Rhodesia.

10. On the other hand there is another and less encouraging side of the picture. The grievances and disabilities of Africans in the Union may be grouped under the following heads:—

(1) Compulsory separation of residential areas continues in force and control over the number of Africans coming to the towns has been tightened

up. In 1913 natives were for the first time forbidden by statute to acquire land in a demarcated European area. They were confined to the scheduled areas, approximately 10 million morgen (*i.e.*, some 20 million acres) in extent. But a promise was given that additions would be made to those admittedly inadequate areas. Numerous enquiries were made but nothing was done until, under the Native Lands Act of 1936, 7½ million morgen (approximately 14½ million acres) in various parts of the Union were released from the ban on acquisition by natives. These lands became released areas where the native trust could legally purchase farms for occupation by natives. By 1942 approximately 4 million morgen had come under the control of the trust, either through purchases from Europeans or by transfers of Crown land. In that year, however, sales ceased. They are to be resumed during the current financial year. An interesting feature of the activities of the trust was the disproportionately large area of land obtained in the arid districts of the western Cape province known as British Bechuanaland and the comparatively small number of purchases in Natal. I have been informed by Mr. D. L. Smit, the late Secretary for Native Affairs and at present a member of the Native Affairs Commission, that natives have refused to occupy these Bechuanaland farms and the trust is considering their resale.

(2) No practical step has yet been taken to weaken the force of the *de facto* colour bar in industry. In Southern Rhodesia a real advance has been made. There all houses in native locations under the control of municipalities are built by the municipality using native labour under European supervision, the native labourers being paid below the minimum rates laid down by the Industrial Council of the building trade for skilled artisans. This is an important development since it breaks the vicious circle familiar in southern Africa. A European paid a high wage builds a house for occupation by a native paid a low wage, and the rent which the municipality will charge the native is so fixed that a loss will not be made on the housing scheme as a whole. A short while ago it seemed probable that the Union Government might take a similar step. Draft regulations were prepared under which the European employees in the building trade were guaranteed work for ten years at existing wages and in return were asked to agree to some dilution of labour by the training of natives and Asiatic apprentices to be used at rates below the European minimum rates for the building of houses to be occupied exclusively by natives and Asiatics. The regulations have never been promulgated. Rumour has it that the delay was due originally to the opposition of Mr. Madeley, the then leader of the Labour Party and Minister for Labour. During the current session Mr. Sullivan, a Durban member of the Labour Party, has said in Parliament that his party will concur in any proposals to issue the new regulations provided that the wages of non-European building employees will, over a ten-year period, gradually rise to the European level. This is a concession but not a very great one since its adoption would not break the vicious circle mentioned earlier in this paragraph.

(3) Africans are excluded from the definition of employees in the Industrial Conciliation Act. It follows from this exclusion that African trade unions cannot be registered. In practice individual Africans do not become members of other trade unions. As yet nothing has been done to make provision for the recognition of African trade unions, though a promise has been given that legislation will be passed next session. There are said to be 119 African trade unions in the country, 50 of these being on the Rand with 158,000 members. If none can be registered it follows that none can be controlled by the registrar or participate in the negotiation of an agreement in terms of the Industrial Conciliation Act. The recognition of native trade unions has been accepted "in principle" by both the Union Government in 1942 and by the South African Trades and Labour Council in September 1945.

(4) There has been no legislation to relax the provisions of these Acts, usually known as the Pass Laws, which compel natives to carry certain documents, though a Native Laws Commission was appointed at the end of last session to enquire, *inter alia*, into these laws. During 1945 no less than 84,159 cases were sent for trial for infringement of pass

laws, excluding the large number who paid bail. In Southern Rhodesia a proportionately large number of natives were also sentenced and were also imprisoned in terms of similar laws; but the promulgation of the new Urban Areas Bill there will, I am informed, free natives from the need to carry passes in the daytime—an important advance. In the Union, where it is said that the result of an experiment in relaxation on the Rand during 1943 was an increase in crime, the trend is in the opposite direction. Until recently the Pass Laws did not apply in the Cape province, but by the Urban Areas Amendment Act of 1945 provision was made for the registration of natives in any municipality on application by that municipality. Cape Town has taken this step and a native entering the Cape Peninsula must now register on arrival, carry with him and produce on demand his registration document and also his service contract, and return to his home if he fails to secure employment within a prescribed time.

11. The upshot seems to be that native administration is more generous than in the past and that doubt of the wisdom of the Union native policy is growing in the minds of some, though not of all, South Africans. More money has been spent on natives, more good speeches have been made in general terms about native policy. There has been increased regulation of native wages, improvement in native conditions of life in certain towns such as Port Elizabeth (though not in others such as Durban), agricultural progress in certain rural areas such as the Transkei (though not in others such as the Ciskei), and generally some advance in European opinion. Yet with the shortage of native land, with the continued existence of vast native slums on the Rand and smaller native slums in other areas, with the survival of the *de facto* colour bar, and with the application in their full rigour of the Pass Laws, it cannot be said that there has been any real change in the system of racial discrimination. Nor, with an electorate which as a whole conceives itself to have a vested interest in the maintenance of that system, can I see very much hope that this or any other South African Government will for many years be ready or able to go further than what our ancestors would have called a measure of "melioration" within the accepted framework of traditional Union native policy.

12. I am sending copies of this despatch to the United Kingdom High Commissioners in Ottawa, Canberra and Wellington.

I have, &c.

E. BARING.

[W 9734/76/68]

No. 45

*Sir E. Baring to Viscount Addison.—(Received in Dominions Office
30th September.)*

(No. 370.)

My Lord,

Pretoria, 18th September, 1946.

I HAVE the honour to transmit to you a memorandum setting out the background to the recent strike of native mineworkers on the Rand.

2. Copies of this despatch are being sent to the United Kingdom High Commissioners in Ottawa, Canberra and Wellington, and to the United Kingdom representative in Dublin.

I have, &c.

(For High Commissioner);

R. R. SEDGWICK.

Enclosure in No. 45

Memorandum.

DURING the early part of this year a number of one-day protest strikes by native mineworkers occurred on mines on the Witwatersrand, after demands had been put forward for a minimum wage of 10s. a day. At this time the president of the African (*i.e.*, native) Mineworkers' Union said: "It is not union policy to encourage spontaneous actions of this character. But it must

be taken into account that the workers find themselves in a desperate position. They have always been used to supplementing their rations by food purchases from concession stores. Short supplies are now making this impossible, and the workers cannot sustain the hard physical labour they are called upon to perform on the compound rations." (It should be explained that "concession stores" are shops established by private individuals, or firms, who have bought from the mining companies the right to trade on the latter's property; "compound rations" means the food issued by the mining companies to native workers living, as they all do, in the special quarters ("compounds") provided in the neighbourhood of each mine). At a meeting attended by several hundred members of the union on the 19th May, a resolution was adopted that preparations should be made for a strike of all native mineworkers on the Rand unless the Chamber of Mines met their demands. A general strike was eventually called for the 12th August because of "the intransigent attitude of the Transvaal Chamber of Mines towards the legitimate demands of the workers for a minimum wage of 10s. a day and better conditions of work." (The quotation is from a statement issued by the African Mineworkers' Union at the time.) Approximately one-fifth of the Rand's native mineworkers responded to the call and went on strike. Some 300,000 natives are employed by the Rand gold mines; the average number on strike during any one day was slightly over 60,000; the greatest number of strikers on any one day was 72,000. The men came out on seventeen of the forty-five Rand gold mines.

2. The events of the strike were briefly set out in OPDOM Nos. 33 (paragraph 2) and 34 (paragraph 2). When the natives armed themselves and attempted to march on Johannesburg, firm action was taken by the police. It was reported in the press at the time that only twelve shots were fired by the police to quell the disturbances and that no deaths had occurred as a result of gunshot wounds. About 900 natives were, however, injured in baton charges and other clashes. Four of the five natives who died during the strike were trampled to death by their companions at the Sub-Nigel mine during a stampede. At the end of five days the strikers had all returned to work, having failed to get their demands. An attempt was made to organise a general strike of natives on the Rand and in Pretoria, but the move came to little and only a few isolated incidents occurred.

3. The opinion generally held in the Transvaal is that the strike was the work of "agitators." In an address to the Transvaal Head Committee of the United Party after the strike, the Prime Minister said that agitators were attempting to lead the natives and the country to destruction; they had secretly distributed pamphlets and incited the natives. The Government took swift action against the Communist Party—their offices were raided and documents were seized, some of which related to the strike. A number of persons, including Indians and Europeans, were arrested and charged in court under the Riotous Assemblies Act and War Measure No. 145, which makes it illegal for natives to strike. From the documents which were read in court at the preparatory examination of the accused, there can be little doubt that the Communist Party took a large part in organising the strike.

4. In the course of a conversation with the officer in charge of the police during the attempted march on Johannesburg, referred to in paragraph 2 of this memorandum, and with Mr. Maclean, President of the Chamber of Mines in 1945, the following views were expressed:—

- (1) The strike was organised by the Communist Party.
- (2) Preparations were almost complete by the end of May.
- (3) The appeal to strike was made impartially to native mineworkers of all tribes and in all compounds.
- (4) The method of organisation was the establishment of cells in all compounds. The natives working in these cells were often not numerous—in some compounds there were not more than fifteen. But in all cases they were active.
- (5) The natives taking part in what was undoubtedly an organised march on Johannesburg were all armed with clubs, crowbars, &c., but not with guns. Elsewhere in most cases the strikers were unarmed and they made no attempts at violence.

Mr. Forsyth, the Secretary for External Affairs, also volunteered to the High Commissioner the information given in (1) and (2).

5. It would, however, be foolish to dismiss the whole matter merely as an unfortunate result of "agitation" amongst an uneducated section of the population. There may be some truth in the reports which have appeared in the press

suggesting that it was only as a result of intimidation that the natives were induced to strike. Indeed, a remarkable feature of the strike was the docility with which the natives returned to work after appeals were made to them to do so by mine officials and police, and this might suggest that the native strikers had, in fact, no real grievances. Responsible persons holding liberal views have, however, refused to believe this, and maintain that the native mineworkers provided a fertile field for "agitation" because they had good reasons for discontent.

6. At the beginning of 1944 the Lansdown Commission of Enquiry into the wages of mine natives on the Witwatersrand (see High Commissioner's telegram No. 367 of the 27th March, 1944), made three important recommendations:—

- (1) An increase of 5*d.* per shift for native workers (making a minimum of 2*s.* 2*d.* and 2*s.* 5*d.* a day for surface and underground workers respectively).
- (2) Cost of living allowance of 3*d.* a shift.
- (3) Boot allowance.
- (4) Payment for overtime and Sunday work at the rate of time-and-a-half.

The Government, after consultation with the Transvaal Chamber of Mines, announced on the 24th March, 1944, the following improvements in the conditions of employment of native mineworkers:—

- (1) Pay at time-and-a-half rate as recommended by the commission for overtime and Sunday work.
- (2) "In lieu of the other recommendations of the Commission," an increase in the wages of surface workers by 4*d.* a shift and of underground workers by 5*d.* a shift (to 2*s.* and 2*s.* 5*d.* respectively).

The commission's recommendations (2) and (3) were not adopted; had they been adopted the native underground worker would have obtained an additional increase of about £5 7*s.* per annum—an amount not to be despised by a worker whose annual wage amounts to only about £40. The Lansdown Commission estimated that in 1943 the native miner's total income fell short of his minimum requirements by about £10 per annum. The increase in the basic wage which was granted by the Government amounts to just over £6 a year, so that the native worker is still about £4 a year short.

7. The conclusion which must be reached from a study of the figures published by the Lansdown Report (when it is borne in mind that not all their recommendations were carried out) is that the native miners have legitimate grievances. But because of the whole unpleasant course of the strike—the extravagant demand for 10*s.* a day, the threat of violence on the part of the strikers, and the Communist Party's hand in the matter—many people appear to have overlooked the fact that the native miners are genuinely badly off and have every reason to ask for higher wages. The rising cost of living in the Union has brought great hardship to many of them, for, though they are housed and fed in the mine compounds, they have to clothe themselves and send money to their families in the Native Reserves. A wage of 2*s.* 6*d.* a day can scarcely be expected to cover their expenses in all cases. The truth probably is that the needs of natives working in the gold mines differ greatly. One native serving his first contract and fresh from a tribal area has few wants and can scarcely spend his pay. Another who has worked for some time on the Rand has developed more wants and more expensive tastes. He finds his wage inadequate. There is also little doubt that the owners of concession stores in many cases exploit native mineworkers both by overcharging and insistence on conditional sales. It is generally believed that the native mineworker is well fed, if only because it is in the interest of the mineowner to see that his rations are adequate in order to get as much work out of him as possible. But a report for 1945 on the feeding and health of natives in the Central Mining-Rand Mines group said that the amount of first-class protein and animal fat that the natives were getting was insufficient for men doing hard manual labour. Native mineworkers who, if working underground now, draw approximately £3 15*s.* per month do not fail to notice the higher wages paid to natives in industry who receive about £8 per month if unskilled labourers and approximately £12 per month if semi-skilled. While it is true that the expenses of a native in a factory whose family often live with him in the town are far higher than those of a native mineworker who in almost all cases is recruited in a rural area leaving his family there on the land, this fact is not appreciated by the ordinary native who pays attention only to cash wages.

8. A cardinal point of the native miners' case is, however, that they have little opportunity for airing their grievances and having conditions improved. In the first place they are excluded from the terms of the Industrial Conciliation Act which provides machinery for settling industrial disputes in which European workers are involved, and native trade unions are not recognised either by the Government or the mining industry. Secondly, gatherings of more than twenty natives on proclaimed mining ground are prohibited, so that there is little opportunity for native trade union activity even of an unofficial nature. The African Mineworkers' Union is an unofficial body with no legal recognition. It is said to have a membership of 80,000, but this comprises only about a quarter of the total number of native mineworkers.

9. For many years now there has been discussion in the Union as to whether natives should be permitted to form legally recognised trade unions. The Smit Report of 1942 (despatch No. 395 of the 9th November, 1942), recommended that native trade unions should be registered and afforded administrative recognition in accordance with rules agreed upon between the Departments of Native Affairs and Labour. However, the report excluded native miners from this recommendation mainly because they constituted "a mass of untutored humanity, which, if well-organised and wrongly directed, would be difficult to control." The report did not appear to consider that it is not necessarily through trade unionism that a "mass of untutored humanity" can fall into the hands of agitators. The Lansdown Commission, on the other hand, though they did not recommend a native miners' union, suggested that "some better means than presently exists should be set up, under which any general grievance of the workers or any serious suggestions made by them for the improvement of their labour conditions could be brought under the consideration of the Government and the employers." They recommended the encouragement of unofficial councils which could later be granted official recognition and larger scope of action.

10. In the absence of any official trade union for the native miners, no attempt was made to regard the recent strike as an industrial dispute. There was no negotiation between employers and employees, a strike by natives being regarded, under Union law, merely as a breach of contract by the individuals concerned. Further trouble was averted simply by the use of force.

11. The Government, indeed, had thoughts during the last session of Parliament of introducing a bill to provide for the registration of native trade unions (though it is possible that a native miners' union would not have been included); owing, however, to the large volume of what was considered more urgent legislation, the idea was temporarily dropped. After the strike, Dr. Colin Steyn, the Minister of Labour, said: "The Government is considering ways and means by which the legitimate grievances of the native industrial workers can be remedied, or the true position explained to them if their grievances are not legitimate." He added that the Government was very anxious that harmony should prevail between employer and employee in the mining industry.

12. The conclusions to be drawn from the evidence concerning the strike are, first, that though the immediate cause may have been "agitation" amongst the native miners, there were legitimate grievances behind the agitation; and, secondly, that through their failure to provide any satisfactory channel for negotiation between native workers and employers, the Government must bear some responsibility for the tragic consequences of the use of force to settle an industrial dispute.

13. Meanwhile, though the mineowners' argument in 1944 was that the mines could not afford the extra expenditure (amounting to about £1 million a year) which would be necessary to give effect to the recommendation of the Lansdown Commission for a cost of living allowance to native mineworkers, and although no attempt was made during the recent strike to consider on its merits the claim of the natives to an increase in wages, it has now (within three weeks of the crushing of the strike) been announced that European mineworkers are to receive an increase in their cost of living allowances of 1s. 6d. a day. The estimated cost of this to the mineowners is £1 million.

Pretoria, September 1946.

[W 9974/76/68]

No. 46

Sir E. Baring to Viscount Addison.—(Received in Dominions Office 9th October.)

(No. 379.)

My Lord,

Pretoria, 2nd October, 1946.

IN August I paid a visit to Natal accompanied by Mr. Crowe, one of the senior secretaries of this office, and by Mr. Duncan, my private secretary. During my visit I could not help being struck by the strength of provincial sentiment in Natal and by the political and administrative difficulties which it occasions, particularly when, as in this case, the Administrator of the province is a forcible personality with political ambitions.

2. For many years Natal has been the home of provincial sentiment. The Drakensburg mountains divide it geographically from the rest of the Union. The sugar plantations of the coastal belt provide it with an industry of its own. It is the only province of the Union whose population is predominantly of British origin. Further, the Indian population afflicts the province with a racial problem unknown in the Free State and known to only a small degree in the Transvaal and hardly at all in the Cape Province. Thus it is not surprising either that in 1910 Natal was the only province where a referendum on the question of Union was considered necessary, or that, in the years immediately following Union, Natal and the Free State were the provinces given weightage in the allocation of parliamentary seats.

3. To this day the people of Natal feel that their interests are neglected. They resent the alleged indifference of the Union Government and suspect the motives of its members. But this resentment does not issue in action to obtain more effective representation of the province in the councils of the Union, for Natal provides few men of mark in Union politics and her present representation in the Cabinet is weak. On the contrary, the tendency is for South Africans of British descent to eschew politics and the public service. During a speech this year at the Jubilee celebrations of Michaelhouse, the leading "private" school of Natal, the headmaster thought it necessary to draw attention to the small number of old boys who had achieved distinction in public life.

4. As a result there are two strong currents of feeling in the province. First, it is felt that the racial problems of Natal are neglected. If Africans are excluded Indians account for almost half the population. Among those Indians there are more young and less old people than among Europeans. Migration of Indians, except on a temporary permit, between provinces is forbidden by law. It follows that Natal Europeans alone among white South Africans fear that they may soon be outnumbered by Indians. If Africans are included the picture is no more cheerful for the Europeans. In the Union as a whole the ratio of Africans to Europeans is approximately four to one; in Natal it is eight to one in round figures. The fruit of these two unusually acute colour problems is an unusually strong demand by Europeans for protection. Hence the very powerful offensive launched last year by anti-Asiatic Natal Europeans, which forced the Prime Minister to introduce this year's Asiatic Bill.

5. Secondly, there is the feeling that a Ministry indifferent to the British connexion, and a civil service becoming each year more and more of an Afrikaner preserve, are attempting to "Afrikanerise" the whole Union. Expression of this feeling may be found in the education policy adopted by the Natal Provincial Council. Any province may now pass an ordinance making compulsory the use of both official languages as the media of instruction after standard five, the second language to be used after the second year in the teaching of at least two subjects. The Transvaal has passed an ordinance of this nature; the Cape Province is hesitating; the Orange Free State administration, with its eye on single medium Afrikaans schools, has refused to act; and so has the Natal Provincial Council, with their eye on English medium schools. Natal, however, goes further than the Free State in divergence from the rest of the Union. In all other provinces a child's home language is the compulsory medium of instruction, at least up to and including standard five. In Natal the choice is left to the parent. The reason is plain. In other provinces an effort is made to prevent Afrikaans-speaking parents from attempting to obtain a better chance in life for their children by the use from an early age of English as the medium of instruction.

6. To obtain proper recognition of their peculiar Indian and their unusually acute African problem, and to resist the encroachment of Afrikaner nationalism, the English-speaking Natal Europeans fall back on provincial sentiment and on provincial institutions. Recently two Administrators have supported the cause of the provinces vigorously and far from ineffectively. Mr. Heaton Nicholls, the late Administrator of Natal, and now High Commissioner in London for the Union, championed provincial rights with a dash or fanaticism worthy of a Democrat from the deep South fighting for States' rights. Mr. Mitchell, the present Administrator, has done the same with the executive drive and the "know how" of the mayor of a growing city in the northern States of the Middle West.

7. Though the efforts of Natal leaders are at times effective, the effects are not always happy. The suspicion of Pretoria and all it stands for in the minds of Natal Europeans has led them to drive the Government both into drastic racial legislation such as the Asiatic Bill, and into opposition to most schemes for centralised planning.

8. They look with great suspicion on the plans prepared by Dr. van Eck and his brains trust (the Social and Economic Planning Council). In particular they have frowned upon attempts to organise the central direction of health services and of housing. They were especially critical of the centralising proposals included in the report of the National Health Commission, and suspicious of the activities of the National Housing Commission.

9. This attitude on the part of many Natal Europeans has been criticised in other parts of the Union. That criticism has been reported in despatches from this post. It should, however, be added in fairness to the Natal provincial politicians that in most cases their objection has been not to the new schemes in question but to the instruments to be used for the implementation of those schemes. Thus they do not raise objection to the organisation of free hospital services or the establishment of health centres; but they think that for both the executive responsibility should be with the provinces. They do not oppose the establishment of an authority empowered to build houses where local authorities cannot or will not do the work; but they think that the new authority should be responsible to the provincial Administration and not to the Union Government.

10. There are, among others, two criticisms of this attitude. One is that in some cases the task is beyond the powers of the provinces and must be performed either by the Union Government or not at all. The other is that progress is hampered by too complicated an administrative background and too great a multiplicity of authorities.

11. There is certainly weight in the second criticism. The provinces control general hospitals; the Union Government health centres and certain special classes of hospital. The provinces control primary and secondary education for all other than natives; the Union Government university and technical education. The provinces supervise mission schools for natives; the Union Government provide the money for native education. Housing is primarily the responsibility of local authorities, but there are residuary powers with the Union Government's National Housing Commission and with the Natal Housing Board, which is the only provincial organisation to be established in terms of the Housing (Emergency Powers) Act of 1945. In such circumstances it is not surprising that there is some administrative confusion and also some friction between rival authorities.

12. Aware then both that health and housing reforms are needed and that administration must be simplified, the Natal provincial authorities have attempted to forge for themselves an effective instrument for provincial planning. This consists of four provincial boards with a common chairman, and in each case two other members, all appointed by the Administrator, who, in turn, is appointed by the Union Government. It is hoped that the small size of the boards will lead to efficient operation and that the existence of a single chairman will ensure effective co-operation between all four. I enclose a note outlining the functions of these boards.

13. South Africans from the high veld often accuse the people of Natal of indolence. "Natal fever," a general tendency to procrastination, is said to be the product of the relaxing climate. There are, they admit, bursts of activity, but sometimes with unfortunate results. Fear has indeed driven Natal Europeans towards draconian anti-Asiatic legislation and emotion has prompted them to support Colonel Stallard and his followers in Parliament, the leaders of a party without a positive programme. Now, however, guided by a really vigorous Administrator, an attempt has been made to make a constructive contribution

towards the solution of South Africa's most thorny problems along lines acceptable to the champions of provincial particularism. They may be attempting a hopeless task, but the result will be interesting to observe.

I have, &c.

E. BARING, *High Commissioner.*

Enclosure in No. 46

Provincial Boards in Natal.

1. *The Natal Housing Board.*

THE board's functions are (a) to advise the Administrator on the allocation between local authorities of money received for housing from the Union Government, and (b) to carry out housing schemes which local authorities are unwilling or unable to complete. In many cases the Union Government lends money at $3\frac{1}{2}$ per cent. The Administrator, on the advice of the board, allocates the money to the local authorities; in the case of a sub-economic scheme the loss is shared between the Union Government and the local authority, usually in the ratio of three parts by the Union Government and one by the local authority. But the allocation of a share of the loss is on a sliding scale and the higher the rents fixed by the local authority the greater the proportion of loss which it must bear. The method of calculation is generous to the local authority and allows a considerable set-off for maintenance. It is still not clear whether similar terms will be granted by the Union Government to the Natal Housing Board should that board itself carry out a sub-economic housing scheme—as it may well have to do for Indians in the area surrounding Durban—and make a loss.

2. *The Natal Water Board.*

The duties of this organisation are obvious.

3. *Natal Town Planning Board.*

This board has not yet been established.

4. *Natal Health Commission.*

The primary object of the commission is to solve the "black belt" problem of Natal towns. In Natal, as in all provinces, other than the Cape Province, there are no true rural authorities. It follows that just outside municipal boundaries no proper control can be exercised over housing and sanitation. A landlord can therefore allow natives to live as they please and build what they please on his land. The result is a shanty town. The Union's leading example is perhaps at Alexandra, just outside the limits of Johannesburg; Natal's are round Durban and on the outskirts of Pietermaritzburg.

To extend the local authority limits is often not a remedy since the nuisance is merely repeated just outside the new boundary. The following ideas are therefore behind the arrangements made by the Health Commission:—

(1) The provision of legal machinery for the establishment anywhere in Natal of an organisation possessing the powers of a local authority with the special objects of controlling building and providing health services or, to use the words of the chairman, "to remedy health conditions or to deter irregular urbanisation."

(2) Where possible an attempt will be made to attain these two objects by the extension of the boundaries of the existing local authority, whether this is a municipal council, a township board or a health committee.

(3) In some cases extension will be ineffective since (a) the nuisance may be repeated outside the new boundary and (b) it may be that "the community is not legally competent to constitute self-government or there is reason to suppose that a competent minority is not likely to pay much attention to the needs of an incompetent majority." Another way of putting (b) is that the Europeans in a certain area are either too few or too incompetent to administer with any degree of success an area with a comparatively large non-European population.

(4) In areas where these conditions exist a health area will be proclaimed and the Health Commission will become the local authority in terms of the Public Health Act, assuming responsibility for health and other services and obtaining the right to raise revenue by rates, to borrow and in certain circumstances to expropriate land.

(5) The Natal provincial authorities do not deny that there are disadvantages in the use of the Health Commission as an instrument of government. They admit that it is undemocratic since its three members are appointed by the Administrator, who himself is appointed by the Union Government; and that where it is established the incidence of expense is wrong since this falls mainly on the province and not on the inhabitants of the area. They claim, however, that in certain conditions the Health Commission is the only instrument which can be used effectively. These conditions are likely to occur (a) on the borders of existing local authority areas, (b) in closely settled areas elsewhere in the province, and (c) in other more sparsely settled areas, especially where there are a number of natives living outside their reserves but not under the control of an orthodox local authority.

(6) The duties of the Health Commission will be (a) to administer directly the areas mentioned, and (b) to assist (*e.g.*, by the loan of expert officials) the weaker of the "orthodox" local authorities.

(7) Its administration will be regional. Public health areas will be grouped in three regions. There will be a full complement of officials for each region, consequently administration will be neither entirely centralised in Pietermaritzburg nor decentralised in each individual health area.

(8) The commissioners, in administering their areas, will attempt to organise the sharing of European officials and to use native labour to the greatest possible extent.

The scheme is in fact a constructive approach by a province to the problem of natives (*e.g.*, those at Edendale on the outskirts of Pietermaritzburg) and of Indians (*e.g.*, those in the peri-urban area of Durban) living outside the areas of strong local authorities and also outside those parts of the province set aside for native occupation, *e.g.*, the scheduled and released areas.

There are two particularly interesting features of the scheme. First, there is the existence in each of the five public health areas already established of an Advisory Board, including members of all races. For example, at Edendale three Europeans, three Indians, three coloured persons and eight natives sit under the chairmanship of a member of the commission. The commission are already urging the Advisory Boards to elect their own chairman. Secondly, there is the attempt by the commissioners to employ skilled native labour. This has been successfully accomplished at Edendale, where houses have been built by native artisans under European supervision. The action of the Health Commission led to friction with the building unions, who, however, do not appear to have pressed their objection very far. The European supervisors were expelled from their unions but readmitted on payment of a considerable fine.

[W 10395/76/68]

No. 47

Sir E. Baring to Viscount Addison.—(Received in Dominions Office 18th October.)

(No. 384.)

My Lord,

Pretoria, 11th October, 1946.

I HAVE the honour to report that on the 23rd September Dr. D. F. Malan, opening the annual congress of the Cape Province section of the Nationalist Party, delivered a speech which has attracted a good deal of attention in the press and elsewhere.

2. As was perhaps natural in an address of this kind Dr. Malan began by stressing the importance of good party organisation, especially among the young, and he referred with satisfaction to the close relations existing between the Nationalist Party in the Union and the Nationalist Party in South-West Africa. He appealed to Opposition groups outside the party to join hands with them in opposition to a Government which looked upon the Union as an appendage of a foreign country, and in this connexion he made the interesting assertion that, whatever may have been the position during the war, there existed to-day not the slightest hope of the establishment in the Union of an authoritarian State; let the New Order and the Ossewa Brandwag therefore join hands with the Nationalist Party in seeking other objectives more appropriate to a practical people such as the Afrikaners. He laid special emphasis on the need for the party to win seats in the urban areas.

3. Dr. Malan took a gloomy view of the European situation and shed a tear over the grave of the Atlantic Charter. Turning then to domestic affairs, he said that there had never been such a state of political incompetence and lack of policy as was exhibited to-day in the Union. As examples of this Dr. Malan

referred to housing and food and the colour question. The Nationalist Party had been emphasising the Communist danger and had themselves been attacked by the Communists at their last annual meeting in Johannesburg; the Government, however, only took action against the Communists when the effect of Communist propaganda was seen in the native mineworkers' strike. This merely showed the extent to which the Government was controlled by the capitalists. As for immigration, Dr. Malan said that the Government had no right to announce a large-scale immigration policy without a special mandate from the people to do so. This led him to the claim that a general election was urgently needed: Parliament had been elected to carry on the war and had lost the confidence of the people since the war had ended. In this connexion Dr. Malan said that the question of the form of government would not be an issue at the next election. The Nationalist Party wanted a republic, but a republic would not be set up as a result of a mere majority in Parliament. Moreover, the Nationalist Party took account of the fact that there were serious questions to be solved before the people were ready for a republic. Among these questions were those of capitalist domination and the colour problem. For these reasons the Nationalist Party had decided that the establishment of a republic could only take place when there existed among the white population a "safe majority" for it. The people must be consulted by the dissolution of Parliament or by a referendum. By supporting the Nationalist Party at an election, therefore, no one committed himself to the proclamation of a republic.

4. Concluding, Dr. Malan took the line that the next election must be fought principally on the colour question, with Mr. Hofmeyr and his policy as the Nationalist Party's main bugbear. In particular he announced that when the Nationalist Party came into power it would repeal that part of the recent legislation regarding Indians which provides for Indian representation in Parliament.

5. The portion of Dr. Malan's speech which has received most attention is his statement of the Nationalist Party's policy in regard to the establishment of a republic. The pro-Government press has been delighted to seize on this as an example of political opportunism (which no doubt it is); the weekly *Forum* remarks, for example, "Such inconsistency and opportunism is surely unsurpassed in South Africa's political annals." The Nationalist papers have been forced on to the defensive. It is not clear, however, that the attack made by the pro-Government papers is wholly fair or that the Nationalist defence is altogether unsound. Dr. Malan's statement about a republic follows closely the relevant paragraphs of the Nationalist Party's "Programme of Principles," which read as follows:—

"(The party) is convinced that a Republican form of government, separated from the British Crown, is best adapted to the traditions, circumstances and aspirations of the South African people. . . . The party, however, recognises that a republic can only be established on the broad basis of the will of the people and with due and faithful regard to the equal language and cultural rights of the two sections of the European population. Accordingly it lays down that this constitutional change can only be brought about as the result of a special and definite mandate thereto from the European population who have the vote and not merely as a result of a parliamentary majority that may be obtained at an ordinary election."

His policy is, indeed, no different from that which he pursued before the 1943 election. It is clear that Dr. Malan, like General Hertzog before him, realises that in the existing state of opinion in the Union the republic as an immediate objective will lose more votes than it will gain. It is also clear, however, that the Nationalist Party has abandoned none of its hopes for the ultimate establishment of a republic. At a celebration of the 30th anniversary of the formation of the party on the 24th March, 1945, Dr. Malan said that the Nationalists were more than ever convinced that South Africa must break its bonds with England and become an independent republic.

6. Dr. Malan has not then renounced the republic as his goal. He has, however, for the first time chosen to emphasise his party's recognition of the need to obtain a "safe majority" before their objective can be attained.

7. I am sending copies of this despatch to the United Kingdom High Commissioners in Ottawa, Canberra and Wellington and to the United Kingdom representative in Dublin.

I have, &c.

E. BARING.

[W 10865/76/68]

No. 48

Sir E. Baring to Viscount Addison. (Received in Dominions Office 6th November)(No. 46. Opdom. Saving) (Supplementary)
(Telegraphic)*Pretoria, 30th October, 1946**The Union and the United Nations*

MUCH publicity is being given to the handling at the United Nations New York meeting of the two questions with which the Union is directly concerned. It has been reported that the United Nations delegates have received copies of booklets from the Union Government on South-West Africa and the Indian problem. These booklets have been printed in the United States and so far as can be ascertained no copies are available in the Union itself.

South-West Africa

Prominence has been given in the press to Mr. Attlee's statement in the House of Commons that the United Kingdom is satisfied that the natives of South-West Africa desire incorporation; to Senator Basner's denial in New York that the views of the South-West African natives had been satisfactorily obtained and to Russia's decision to oppose the Union's claim for South-West Africa. In an attempt to refute the allegations made by Senator Basner, the *Rand Daily Mail* has published a report on how the South-West Africa referendum was held. A summary of Tshekedi's correspondence with this office has also been published.

It is generally taken as self-evident that incorporation of South-West Africa would be in the best interests of that territory. The Union's case for incorporation is thought to be good, but it is feared that her chances have been considerably weakened by anti-Union propaganda abroad, and by ventilation of the Indian question before the United Nations. There has been some criticism of the secrecy with which the South-West Africa referendum was held, but the results are naturally accepted here by the vast majority as a fair expression of the views of the native peoples; there is, however, less confidence about the reception with which the results will meet abroad.

The Nationalists do not consider that the question of incorporation of South-West Africa should be dealt with by the United Nations, and claim that the United Nations have no legal authority over mandates, and that the Union has every right to incorporate South-West Africa if she wishes to do so.

Indians

The outline of the Government of India's grievances given by Vijaya Lakshmi Pandit has been reported. Public opinion is unanimous in maintaining that the Union Indian problem is a domestic matter for the Union. This is particularly emphasised in the Nationalist papers, who consider that if the United Nations are allowed to interfere in the Indian question, their next step will be interference in native policy. It is also claimed by the Nationalists that in any case Indians living in their own glass-house have no right to throw stones at the Union.

Die Burger warns the United Nations that "during the next few weeks U.N.O. will stand before the tribunal of South Africa. Its manner and action will determine whether it will continue to keep or will destroy the limited regard which it enjoys in South Africa."

[W 11040/76/68]

No. 49

Mr. Sedgwick to Viscount Addison. (Received in Dominions Office 11th November)(No. 48. Opdom. Saving. Supplementary)
(Telegraphic)*Pretoria, 6th November, 1946**The Union and the United Nations**South-West Africa*

GENERAL SMUTS'S speech to the Trusteeship Committee urging the United Nations to grant South Africa's request for the incorporation of South-West Africa has been fully reported in the press, and commentators consider that he has made out a good case for the Union.

There has been some criticism of the fact that the first and only official announcement of the results of the South-West Africa referendum was made in London by Mr. Attlee, and that no official statement has been issued in Pretoria. *Die Burger* is particularly bitter and asks whether London is the capital of the Union. The same paper has also protested against the fact that the booklets issued to United Nations delegates and the American press on the Indian question and on South-West Africa (see Opdom No. 46) were published in New York and are not available in the Union.

In an interview with the press, the Administrator of South-West Africa has given some details as to how the South-West Africa referendum was held. He added that he did not think Senator Basner knew what the natives of the territory thought (see Opdom No. 46).

The Communist Party in the Union is protesting against the Union's claim and the African People's Organisation (coloureds) has cabled to the Secretary-General of the United Nations its protests against incorporation ("because of South Africa's colour bar laws").

Indian Question

2. There has been little comment from the pro-Government press this week, and reports from the United States published in the papers here have been confusing. The Nationalist press has given prominence to a summary from *P.M.* alleging that it was the United Kingdom delegation that persuaded General Smuts not to protest to the plenary session of the Assembly against including the Indian question on the agenda. *Die Burger* attacks the Prime Minister for having needlessly lost the first round, and maintains that once again he has put the interests of the Empire before those of South Africa in an attempt to keep "family quarrels" in private. British diplomats, says the paper, will try to force the Union into compromise with India from which the former will gain no advantage.

Union Members of Parliament Abroad

3. Several editorials have criticised the activities of Mrs. Ballinger in India and of Senator Basner in the United States (see Opdom No. 46), both having made speeches attacking the Union for its treatment of the non-European population. The United Party secretary has now issued a statement expressing strong disapproval of such attacks "especially at the time when matters of vital importance to their country are being discussed by an international body."

[W 11407/76/68]

No. 50

*Mr. Sedgwick to Viscount Addison. (Received in Dominions Office
21st November)*

(No. 409)

My Lord,

Pretoria, 16th November, 1946

WITH reference to Sir Evelyn Baring's despatch No. 384 of 11th October, I have the honour to transmit to you a note summarising some of the recent activities of the Nationalist Party.

2. The note indicates a growing anxiety on the part of the Nationalists about their prospects in the next election. They have decided that the colour question will be their best electoral platform, and in the hope of winning votes in the urban areas where the English-speaking votes are relatively strong, they have decided to shelve their republican aims for the time being. At the same time they are angling for the support of minority groups, such as the Ossewa Brandwag, in the hope of uniting behind them all those Afrikaner elements which are opposed to the Prime Minister and the United Party.

I have, &c.

R. R. SEDGWICK.

Enclosure in No. 50

Nationalist Party Activities

FOR some weeks the Nationalists have been unusually active. They have held congresses in the Cape, the Transvaal and the Orange Free State, at which they have discussed South African problems and the future policy of the Nationalist Party. In addition, there have been a number of local meetings at which speeches have been made by the Nationalist leaders.

Election Policy

2. The main point that has emerged from the congresses is that the republican issue is to be put into cold storage and that the Nationalist Party will endeavour to fight the next general election on the colour question, with Mr. Hofmeyr as the chief bogey. The reasons for this strategy were frankly stated by Dr. Malan at the Transvaal Congress as follows:—

“The Nationalist Party is going to fight the election on the colour question, and ask for a mandate from the people of South Africa to keep South Africa a white man’s country. We have the right to do this because it is clear that in this matter the Nationalist Party represents not only the Afrikaans-speaking people, but also large sections of the Labour Party, the United Party and the overwhelming majority of the Dominion Party. The Nationalist Party also represents the overwhelming majority of English-speaking people on this matter The United Party is trying to get the electorate to decide on the question of a republic. If the English-speaking electorate are told that their votes are to be misused for the attainment of a republic there will be many who will not vote for the solution of the colour problem.”

3. On the colour question the Nationalists have continued to concentrate on Mr. Hofmeyr and his alleged policy of equality for all races. At the Transvaal Congress Dr. Malan, supporting himself with quotations from Mr. Hofmeyr’s speeches on the Indian Bill and on other occasions, declared that Mr. Hofmeyr’s policy would involve the total abolition of all colour bars and the conversion of South Africa into a black man’s country within a year. In another address Dr. Malan said the United Party would fight the election with the name of Field-Marshal Smuts, but that if they got into power again, it would, in fact, be Mr. Hofmeyr’s policy which would be carried out and in five years irreparable damage would be done.

4. In this campaign against Mr. Hofmeyr, the Nationalists have challenged him to expound his views on the colour question. So far Mr. Hofmeyr’s only reply has been to deny that he had ever advocated total abolition of the colour bar. A fuller indication of his position may perhaps be obtained from the weekly paper *Forum*, which is generally regarded as expressing his views in matters of this kind. This paper has recently declared that it stands for preservation, not dominance, of white civilisation; a gradual admission of the native to political responsibility (though the paper thinks that “communal rolls would be more in accordance with Bantu traditions”); maintenance of a social colour bar by mutual consent; and equal opportunities for progress of black and white.

The Urban Vote

5. The speeches of the Nationalist leaders showed that they realised with some misgiving that they had no hope of succeeding in the next election unless they could capture the town vote. There has been a large increase in the number of registered voters on the Witwatersrand, where it is expected that next year’s Delimitation Commission will raise the number of seats at the expense of country districts, possibly to over a quarter of the seats in Parliament. Accordingly, Dr. Malan stressed the importance of the towns in several speeches, and Mr. Strydom, joint Nationalist leader in the Transvaal, pointing out that conquest of the Rand would be no easy matter, advocated an intensive house to house campaign rather than public meetings as the best method of approach. Judging by the recent Transvaal civic elections, the Nationalists’ prospects on the Rand are not encouraging. In Johannesburg the United Party gained a sweeping victory and now have twenty-two seats on the City Council, while Labour have twelve and the Nationalists only five. On the West Rand the Nationalists suffered heavy defeats, and on the East Rand the position remains practically unchanged.

The English-Speaking Vote

6. As indicated in Dr. Malan's above-quoted address, the Nationalist strategy aims at splitting the solidly pro-Government English-speaking vote. In a recent editorial, *Die Burger* pointed out that Afrikaners were in the minority in most large towns, and that though many English-speaking people were in full agreement with the principles of the Nationalist Party, they did not realise it because they read only English papers; they remained "behind an iron curtain" through which the Nationalists would have to break. Some attempts have been made, with discouraging results, to attract English-speaking South Africans to the Nationalist Party. About two months ago an English-speaking South African resigned the secretaryship of the Central Durban branch of the Nationalist Party, stating that he was "completely disillusioned" and saw no hope of racial co-operation coming from Nationalist ranks. More recently an English-speaking ex-serviceman, whom the Nationalist Party nominated with a great flourish of trumpets as their candidate for the Hottentots-Holland by-election, withdrew his candidature on the ground that "there was a definite anti-English-speaking element among the Nationalists," and that in order to force him out of the election they had deliberately failed to give him the financial support which they had at first promised.

The Nationalist Party and other Opposition Groups

7. The Nationalist Party is hoping for support from other Opposition groups, and has made several gestures of conciliation. As far as can be seen attempts at co-operation have not yet met with much result, and the rather tactless utterances of some of Dr. Malan's lieutenants cannot have made negotiations any easier for him. For whilst Dr. Malan himself appealed to such groups as the Ossewa Brandwag (Dr. van Rensburg), the New Order (Mr. Pirow) and the Afrikaner Party (Mr. Havenga) to join the Nationalists in fighting the black menace, and minimised the differences in principle between these parties and the Nationalists, Mr. Strydom declared at the Nationalist Congress in Pretoria that an agreement with the Ossewa Brandwag, for example, was out of the question because there were such deep differences in principle. The result has been a heated exchange between *Die Transvaler* (Mr. Strydom's mouthpiece) and *Die Vaderland* (Mr. Havenga's), in which each has accused the other of undermining Afrikaner unity. "The New Order" has declared that the Nationalist Party is a party without a policy. The commandant-general of the Ossewa Brandwag has stated that the O.B. is prepared to receive proposals for co-operation. He indicated, however, that the O.B. was not prepared to be absorbed by the Nationalist Party, which was what the Nationalists apparently wanted.

Attitude to Indians

8. Meanwhile the Nationalists have continued to agitate against the Asiatic Land Tenure and Indian Representation Act. The Pretoria Congress adopted a resolution demanding that no more Indians should be admitted to the Union, and that a vigorous policy for the repatriation of Indians should be pursued. The resolution further asked that no more trading licences should be issued to Indians; that existing licences should be curtailed as far as possible, while Europeans should be urged not to trade with Indians. Sterner measures against passive resisters were demanded. In Natal the Nationalist Party have organised a number of protest meetings against the Asiatic Land Tenure and Indian Representation Act.

The Franchise

9. A statement on franchise qualifications made by Dr. Malan at the Pretoria Congress has perplexed some observers and has aroused some discussion. Dr. Malan said that it was not the policy of the party to tamper with the electoral laws. It was not their intention to interfere in any way with the qualifications for franchise except in the case of immigrants from Britain, who, at present, were automatically enfranchised after two years' residence in the country. Such a state of affairs was unhealthy. The Nationalist Party favoured the granting of the franchise on a citizenship qualification, not a residential qualification. Before any person become enfranchised it should be clear that he associated himself fully with the country.

10. This is no new departure on the part of the Nationalist Party. In 1942 Dr. Malan drew up a plan for a republic in which it was stated that citizenship which conferred the franchise would be accorded only to those who

might be expected to assist in the building up of the nation, irrespective of their previous status.

11. *Die Kruithoring*, the official organ of the Nationalist Party, has elaborated Dr. Malan's statement in a recent editorial. The article said that there was no question of disfranchising the English, but one of the first acts of a Nationalist Party Government would be to amend the law so that certain immigrants would not automatically get the vote without applying for naturalisation.

Miscellaneous

12. General Smuts's interview with a Dublin newspaper has attracted some attention in Nationalist circles, and their papers have sneered at his remark that he well understood why Eire had remained neutral and that the Union had very nearly done the same. In his Pretoria address, Dr. Malan referred to the interview, and said that he was surprised that the Prime Minister had not gone a step further and informed the *Irish Independent* that he had wanted to keep South Africa out of the war, and that the Nationalist Party had plunged her into it.

13. Another point of interest was that the Nationalist Congress at Bloemfontein passed a resolution asking that the "Russian diplomatic corps in the Union, which is now bigger than that of any other Power, be considerably reduced."

[W 11529/76/68]

No. 51

Mr. Sedgwick to Viscount Addison. (Received in Dominions Office, 27th November)

(No. 52. Opdom. Saving) (Supplementary)
(Telegraphic)

Pretoria, 20th November, 1946

The Union and the United Nations

1. *South-West Africa*

The press has continued to pay great attention to reports in connexion with the Union's claim for South-West Africa, and has strongly supported General Smuts. The Nationalists have noted with satisfaction his altercation with the Russian delegate and urge that "strong steps against Stalin's disciples" be taken in the Union. *Die Volksblad* has remarked with some bitterness that all the Union's "friends," with the exception of Britain, have left her in the lurch. The latter, the paper says, could hardly do otherwise than support the Union after all General Smuts has done for the Empire, but unfortunately Britain counts for little these days.

Nationalist papers have published an article by Mr. Eric Louw, the Nationalist M.P., in which he repeats his arguments against the Union's placing her claim before the United Nations. Assuming that the Union's request will not be granted, Mr. Louw urges the Prime Minister nevertheless to incorporate South-West Africa. Nationalist papers endorse his view. Their political correspondent says that it can be assumed that legislation dealing with the territory will be introduced during the next session of Parliament, and that it is possible that the question of representation in the Union Parliament for South-West Africa will be discussed.

2. *Colour Policy in the Union*

In his opening speech at the annual congress of the Natal branch of the United Party, the Acting Prime Minister, Mr. Hofmeyr, said that the United Nations proceedings had shown that the relationship between Europeans and non-Europeans was no longer a matter for the Union alone, but was one aspect of the world-wide race problem. He added that none the less the Union's problems were unique. Pro-Government comment shows awareness that the Union can no longer afford to ignore world opinion; the Nationalists, on the other hand, urge the Union to continue to treat colour policy as a domestic matter. *Die Vaderland* says that General Smuts has had the whole of white South Africa behind him in his struggle, and if he wants he can use this support "to unite the English and Afrikaans-speaking sections against the terrible colour menace which is threatening."

3. *United Nationals Abroad*

The Minister of Native Affairs, Major Piet van der Byl, told the Natal Congress of the United Party that the attacks on the Union by Union nationals overseas were "one of the most contemptible spectacles in our history. It would be bad enough if the statements were true, but most of them are untruths, distortions or half-truths. If these people were Russians they would be dealt with when they got back to their own country, but they enjoy the freedom of South Africa. They should be condemned by every loyal South African."

4. *Indians*

It is reported in the *Guardian* (Communist) that the Council for Human Rights (a European organisation which was formed to oppose racial discrimination) has sent a letter to every delegate to the United Nations appealing for support for the Indians in their case against the Union.

A Nationalist meeting in Pretoria last week appealed to the Government to repeal the Asiatic Land Tenure and Indian Representation Act, and to "follow a definite policy of repatriation and segregation." The meeting appealed to Europeans not to trade with Indians "because the Indians are fighting us with our own money."

[W 11649/76/68]

No. 52

Mr. Sedgwick to Viscount Addison. (Received in Dominions Office 2nd December)

(No. 55. Opdom. Saving. Supplementary)
(Telegraphic)

Pretoria, 27th November, 1946

The Union and the United Nations

1. *South-West Africa*

AT the opening of the United Party Congress in Bloemfontein on 26th November, the Acting Prime Minister, Mr. Hofmeyr, outlined the situation with regard to South-West Africa and made the following points:—

(1) United Nations had no rights over South-West Africa except in so far as such rights might be obtained by an agreement freely entered into by the Union.

(2) If South-West Africa were not brought under the trusteeship system by agreement with the Union, the Union's rights would continue to exist unimpaired.

(3) South-West Africa could never become an independent self-governing unit because of economic and geographical circumstances.

(4) In the case of South-West Africa the mandate could only be regarded as a state of transition to full incorporation in the Union.

If the United Nations refused to agree to incorporation it would be a violation of the principle of self-determination and South Africa would continue on the present basis to administer the territory as an integral part of the Union.

There has, naturally, been considerable disappointment over the trend of events in New York, the reason for which is felt to be not that the Union case for incorporation was weak, but that it was prejudged by opinions in other countries about her colour policy.

The Nationalists are now taking the line that General Smuts has made a mess of the Union's claim. They allege that he raised the matter before the United Nations merely to show off as a world statesman and that he did not even touch on the legal aspect of the case, which was the only line which would have convinced members of the United Nations.

The Reverend Michael Scott, an Anglican clergyman, who was in prison for three months for his activities in support of the Indian passive resisters in Natal, gave an interview to the *Guardian* (Communist), on his return last week from the Bechuanaland Protectorate. He expressed uneasiness over the way the South-West Africa referendum was conducted; alleged an attempt by the Union Government to bribe the Hereros with an extension of their lands a few weeks before their opinions were sought on incorporation; added that there appeared to be recorded evidence that the Hereroes, the Namas, the Ovamboes and the Berg Damaras all refused incorporation when they were first consulted and urged an impartial investigation.

2. Indian Question

In his speech to the United Party Congress, Mr. Hofmeyr reiterated that the Indian question was a domestic affair with which the United Nations were not competent to meddle at the present stage of their development.

The Secretary of the Natal Indian Congress and the former Secretary of the Transvaal Passive Resistance Council have announced that if the Government do not modify their attitude towards the South African Indians as a result of the United Nations debate, the next move of the passive resistance campaign will be a mass defiance of the laws which prohibit Indians from crossing provincial borders without permission.

3. Race Relations

The question whether proceedings at United Nations will affect race relations in the Union has been discussed in the press and in private. At a meeting in Cape Town recently ex-Judge H. S. van Zyl, who is an influential member of the Nationalist Party made an appeal for a new approach to racial problems based on justice for the non-Europeans with the aim of restoring their confidence in the Afrikaners. He said that the Europeans must not keep the non-Europeans back, but should help them to develop. The pro-Government *Volkstem* has attached some importance to this statement, which it assumes was made with the consent of Nationalist leaders. There has, however, been no comment from them, nor any sign that they propose to follow ex-Judge van Zyl's advice, though the first report of his speech was printed on the front page of *Die Transvaler*.

In his speech to the United Party Congress, Mr. Hofmeyr appealed to Dr. Malan to abandon the colour question as the main issue for the next election. From the party political point of view, he said, the United Party had no objection, but the question was whether it was in the national interest that a general election should be held on this issue at the present time when a false appreciation of the true position obtained abroad. Mr. Hofmeyer said that he himself was against both a policy of suppression and a policy of assimilation and in favour of a middle course of Christian trusteeship.

Mr. Naidoo, the joint secretary of the Natal Indian Congress, has appealed to Indians to devote greater energy to the formation of a non-European united front.

4. Overseas Opinion of the Union.

Die Transvaler quotes the *Economist's* article "The South African Experiment" to prove that the United Kingdom public has no confidence in General Smuts and has condemned him as an oppressor.

The London correspondent of the morning papers has cabled that the general belief in Britain is that the Union is in the wrong over South-West Africa and the Indian question, and that nothing is being done by the Union to correct this impression. This has been taken up by the *Cape Times* which urges "dissemination of truth as widely as possible."

Criticism of Senator and Mrs. Ballinger continues, and in his speech to the United Party Congress Mr. Hofmeyer said that imperfect relations between white and non-European in the Union did not justify "the monstrous misrepresentations which were being spread abroad."

[W 12001/76/68]

No. 53

Mr. Sedgwick to Viscount Addison. (Received in Dominions Office
10th December)

(No. 57. Opdom. Saving. Supplementary)
(Telegraphic)

Pretoria, 4th December, 1946

The Union and the United Nations

General

The most significant feature of pro-Government comment this week is that papers urge the people of the Union to examine their native policy in the light of criticisms made to the United Nations, and warn them that they must choose between defying world opinion and modifying their policy. It is generally

maintained by Government supporters that General Smuts has handled the Union's case extremely well.

The Nationalists, on the other hand, have during the last week viciously attacked the Prime Minister, holding him responsible for the outcome of the United Nations discussions, and adding that he has once again failed in his duty to protect white South Africa.

2. Indians

The strongest reaction to the decision of the Political and Legal Committee has come from the *Natal Mercury* and the *Natal Daily News*. The former states that the Union will not surrender control over her own destiny, and the latter warns India not to talk about a "victory," because Europeans in the Union will not surrender what they regard as their birthright.

The Nationalists consider that General Smuts has let South Africa down in two respects: first by passing the Asiatic Land Tenure and Indian Representation Act which they have repeatedly declared could please no one; and, secondly, for his part in framing the United Nations Charter which apparently allows intervention in domestic matters. *Die Transvaler* complains that at no time did General Smuts suggest repatriation of Indians.

A meeting of Indians in Johannesburg have expressed "deep satisfaction" at the outcome of the United Nations' discussions.

3. South-West Africa

The rejection of the Union's claim has been treated with resignation by Government supporters, and it is felt that if nothing else, the moral position of the Union has been strengthened by the fact that she consulted the United Nations.

The Nationalists continue to grumble that the matter was raised before the United Nations, and allege that there may be unpleasant repercussions because any small changes in relations between the Union and South-West Africa will be brought into the limelight. They fear, too, that hitherto satisfied natives may now cause trouble as a result of criticisms of the Union made before the United Nations.

The text of the address and *questionnaire* submitted to the native in South-West Africa on incorporation has been published in the press, and has confirmed the opinion of the majority that the referendum was fair.

4. Race Relations

In a speech in Johannesburg last week Mr. Hofmeyr said that the Union might be in danger of losing international prestige and goodwill, and if that were so South Africans should take stock of their prejudices. This view is held by many Government supporters (see paragraph 1), and several papers have advocated a more courageous and liberal native policy.

The Nationalist press has indignantly rejected Mr. Hofmeyr's appeal to the Nationalist party to drop the colour question as the main issue for the next election.

5. Overseas Opinion of the Union

It is felt that events at United Nations have proved conclusively that a drastic reorganisation of the Union's publicity services abroad is necessary.

The United Party Congress in Bloemfontein adopted a resolution expressing indignation at misrepresentations of conditions in the Union by Indians here. The resolution urged that appropriate steps be taken to prevent the issue of reports on conditions in the Union which were untrue, misleading or calculated to create racial enmity.

As regards the activities of Senator Basner and Mrs. Pallinger, a United Party Member of Parliament who had hitherto been a strong opponent of non-European representatives in Parliament, said privately at the Bloemfontein Congress that if these were the sort of Europeans who were elected to represent other races he would prefer non-Europeans.

W 12228/76/68

No. 54

*Mr. Sedgwick to Lord Addison. (Received in Dominions Office
16th December, 1946)*

(No. 59. Opdom. Saving. Supplementary)
(Telegraphic)

Pretoria, 11th December, 1946

THE UNITED NATIONS AND THE SOUTH AFRICAN INDIAN PROBLEM

1. Pro-Government Comment

The general view is that the United Nations' decision ignores the realities of the matter, and that any Union Government which tried to pass legislation in the spirit of the United Nations resolution would be committing political suicide, to be replaced by a Government far less sympathetic towards the Indians. More problems would be created than would be solved, and European opinion in general is at present not prepared to grant any further concession to the Indians. It is felt that the United Nations decision has, in fact, inflamed European resentment against the Indians.

These opinions are confirmed by several facts. First, reports from Durban state that there is a move in Natal to boycott Indian traders and to restrict employment of Indians and give preference to natives (a sharp increase is reported in the figures of Indian unemployment in Durban). Secondly, the Durban City Council has recommended that the Natal Municipal Association should postpone its meeting to discuss the question of Asiatic representation on municipal councils because "European feelings have been so outraged by the manner in which the Indian campaign at U.N.O. has been conducted. . . . that the atmosphere of calm objectivity which is so necessary for the proper consideration of this difficult and far-reaching question will be absent." Thirdly, Mr. Madeley's new party is based largely on anti-Indian feeling.

Reports from New York suggested that the Indian case was based on emotionalism, while the Union's case was based on reason, and there is considerable resentment that the former should have carried the day.

Australia's abstention from the voting of the French-Mexican resolution has been criticised in ministerial circles.

2. Nationalist Comment

In an interview at Cape Town Dr. Malan has stated that the United Nations had become a danger to South Africa, and that the Union must seriously consider whether she should withdraw. If South Africa were opposed to the United Nations' right

of interference—and there was no doubt about this—she must firmly refuse to carry out the decision on the Indian question. The only possible basis for negotiation with India was repatriation of the Indians on the lines of the solution adopted in the case of minorities in Europe with the approval of the big Powers. South African Indians had achieved a victory, and their final objective was complete equality, which they felt was within their grasp with the power of the world organisation behind them. The example would not be lost to other non-European races. Field-Marshal Smuts had fought well, but he had prejudiced the whole case by accepting the Charter without consulting Parliament.

The *Transvaler* of the 10th December carries a vitriolic leader, entitled "The Downfall of Field-Marshal Smuts," holding the Prime Minister directly responsible for what has happened at New York; with his self-opinionated refusal to take advice from anyone, he has, says the paper, played havoc with his country's interests and reputation. Reference is made to the parliamentary debate last February on the Union's ratification of the United Nations Charter, when Nationalist speakers expressed concern over the possibility that foreign countries might obtain the right to interfere in the internal affairs of the Union. Field-Marshal Smuts had dismissed these fears as groundless, but it now appeared that he was wrong and his critics right. There could be no concession to the views upheld by the United Nations, and the reversal required in the Union's policy was so complete that the Smuts Government must give place to a Nationalist Government which alone could prosecute the life-and-death struggle which lay ahead. A Nationalist Government would flatly deny the United Nations any right of interference in South African affairs, and if its attitude was unacceptable to the United Nations, then the Union must withdraw from that organisation. There need be no fear of sanctions as a result; England and the United States had too many economic interests in the country, and would in any event recognise their concern with South Africa's fight for white

civilisation and against Communist Russia. Meanwhile, the Union should seize every opportunity to carry the fight into the enemy's camp by publicly raising questions of discrimination, social, religious or the like, in countries such as India and Russia (incidentally representation in the Union of the Soviet Government might usefully be terminated). But it would be hopeless to expect Field-Marshal Smuts to carry out policies of this kind; let him, therefore, give place to Dr. Malan.

3. Indians

Mass meetings of Indians have been held in Durban and Johannesburg to celebrate the United Nations decision. The Indians have stated that passive resistance will continue until "racial discrimination is wiped off the statute book."

Indians have expressed "surprise and pain" at the United Kingdom's attitude. A cable received in Durban from Mr. Kajee of the South African Indian Congress from New York, and published in the *Natal Witness*, says that "to England's friends, the spectacle of Sir Hartley Shawcross, of Socialist but ever Imperial Britain, taking up the cudgels on behalf of the White South African in an obstinate fight to refer the dispute to the International Court of Justice, must be sad indeed. This attitude of the United Kingdom, fighting to the last ditch in a problem in the creation of which she has played such an important part, indicated to some a phase of a new game of playing up white South and East Africa, making Kenya Britain's new strategic base."

CHAPTER VIII.—GENERAL

W 11943/11943/68

No. 55

THE BRITISH COMMONWEALTH TO-DAY

Speech delivered by the Secretary of State for the Dominions to the Imperial Defence College on 18th November, 1946

1. World Background

I have come here to-day as Secretary of State for Dominion Affairs, and I propose to address myself in the remarks which I shall make to you to matters falling particularly within my own responsibilities in that office. The British Commonwealth covers a wide field, and there is much of interest and importance that can be said, both in relation to India and to the Colonial Empire. But these do not fall within my own direct responsibility, and I must leave what is to be said upon them to others. My task is to try to give you some picture of the relations between the United Kingdom and the other self-governing members of the British Commonwealth. I shall refer later briefly to the special considerations concerning the position of Eire, but in my general remarks I propose to confine myself to dealing with the relations between the United Kingdom and Canada, Australia, New Zealand and South Africa.

Field-Marshal Smuts has, on more than one occasion recently expounded with a clarity of expression and a cogency of argument which I would not attempt to rival the lesson which the rest of the world can derive from the working of the British Commonwealth system. Under that system, freedom of choice can be combined with unity in action—independence with interdependence. It is right that we should emphasise this point. The free nations of the Commonwealth in 1939 decided with us before any of us was actually attacked to take up the challenge of Nazi ambition to dominate the world. Can we be sure that in the future in the international field the same spirit will animate all peace-loving nations against a future challenger? We must not allow ourselves to be deceived by the illusion which flourished after 1919 that the end of the war will automatically bring in an age of peace and security. But there is one feature of to-day which did not exist in 1919. All the great victorious nations of to-day have pledged themselves to the United Nations Organisation, and we are thus assured of the full co-operation

of, in particular, the United States, in building up a new world order.

The first step is the clearing up of the aftermath of the war.

2. The Commonwealth Contribution

In the work of peace-making the several dominions are making a contribution as important as that which they made to the winning of the war. At Paris, in New York, Canada, Australia, New Zealand and South Africa are expressing their own point of view. Each has particular regional interests. Australia and New Zealand are interested in safeguarding the line of imperial communications in the Mediterranean, for whose liberation their soldiers fought so gallantly, and above all in security in the South-West Pacific area; South Africa's dominating concern lies in the Mediterranean, for it is clearly a matter of vital importance to her future safety that no territorial settlement of the North African littoral gives a potentially hostile power a foothold on the African continent: whilst Canada, whose interest in the European settlement is perhaps particularly great, has an overriding interest in ensuring that both in war and in peace the United Kingdom and the United States keep in step so far as the main objectives of their policy are concerned. There is here a diffusion of interest; a different degree of emphasis placed by each member of the Commonwealth on the problems which confront us. It is sometimes feared even by our friends that this may mean a weakening of the imperial link, of our capacity to avert war, and above all a lack of preparedness for war. These critics fear that the machinery of Commonwealth consultation, particularly in peacetime, is so loose that the Commonwealth's contribution to the post-war settlement is thereby materially weakened.

There have always been two schools of thought about the most desirable basis for intra-imperial relations. One school broadly speaking has favoured a standing conference of Commonwealth Ministers which

would meet at definite intervals and be served by a permanent intra-imperial Secretariat. This school of thought urges that only by carefully devised constitutional machinery of this kind, which would have its counterpart in the strategic field, can the Empire play its proper rôle in the world to-day. On this I would make two comments: (a) the creation of institutions, in themselves admirable, is quite useless unless they are in harmony with the spirit of the organisation they are intended to serve; and (b) Dominion Governments would be very reluctant in practice, and for very good reasons, to delegate powers to take political decisions to any particular Minister and representatives attending such conferences. A Commonwealth Secretariat for this reason might fall far short of the hopes of its sponsors. It must be accepted as a fact that any formalisation of the methods of consultation would not command that degree of general assent which would be essential to its adequate functioning. Still less would the creation of any machinery which would give the impression of the formation of a Commonwealth *bloc*. The tide indeed is flowing towards even greater informality in intra-imperial relations which is to my mind convincing evidence of their growing intimacy.

3. Machinery of Consultation

The machinery of intra-Commonwealth consultation is not so well-known as it deserves to be. It is now extremely elaborate and comprehensive. The forms of consultation are many and varied and are used to meet the needs as they arise. In the inter-war period there was a series of full-dress imperial conferences to which each country sent large and expert delegations. More recently there have been less formal meetings of Prime Ministers or of ministerial representatives of the Dominions attended by only one or two expert advisers, such as those held in London in the spring of 1944 and again in 1946. Because the proceedings of these conferences are so informal; because there is usually no elaborate and detailed agenda; because no formal resolutions are passed at their conclusion, their contribution is usually altogether underestimated. It is at these informal conferences such as that which was held this year, that Ministers from all parts of the Commonwealth discuss their problems and as a result of their discussions there emerges a common sense

of purpose and in essentials a common direction of policy. The subjects discussed at the meetings held last April and May covered a very wide range of economic, strategic and international problems. We considered then questions of defence within the Commonwealth, the future of Germany, and all the varied problems of foreign policy in Europe, including the draft treaties with ex-enemy States and the Far East, trusteeship, and many other matters of varying importance.

Apart from these necessarily periodic meetings of Ministers, the machinery of consultation is most elaborate. Some indication of the extent to which the members of the Commonwealth are kept informed of current affairs is given by the fact that over 23,000 telegrams are sent out each year by the Dominions Office. Some of these are from Government to Government; others to our High Commissioners in the Dominions. Other matters again are more conveniently discussed with the Dominion High Commissioners in London with whom I hold in addition frequent meetings at which our common problems can be considered informally.

We discussed this machinery of consultation as a whole at the last meeting of the Dominion Prime Ministers this spring, and they expressed themselves as extremely satisfied with its operation. On this point I cannot do better than read to you the text of the statement at the conclusion of the meetings which contains the following passage:—

“The existing methods of consultation have proved their worth. They include a continuous exchange of information and comment between the different members of the Commonwealth. They are flexible and can be used to meet a variety of situations and needs, both those where the responsibility is on one member alone and where the responsibility may have to be shared. They are peculiarly appropriate to the character of the British Commonwealth with its independent members who have shown by their sacrifices in the common cause their devotion to kindred ideals and their community of outlook. While all are willing to consider and adopt practical proposals for developing the existing system, it is agreed that the methods now practised are preferable to any rigid centralised machinery. In their view, such centralised machinery would not facilitate, and might even hamper, the combination of autonomy and unity which is characteristic of the British Commonwealth, and is one of their great achievements.”

4. Foreign Policy

It is now twenty years since the Balfour Declaration was enunciated by the Imperial Conference of 1926. In it occurs the sentence "and though every dominion is now, and must always remain, the sole judge of the nature and extent of its co-operation, no common cause will, in our opinion, be thereby imperilled." In foreign affairs and in the field of defence, to which I shall come in a moment, the question is often asked: "is this statement really true?" I think, broadly speaking, it is because (a) an obligation entered into willingly and by conviction is more effectively discharged than one entered into by compulsion; (b) because in general there exists a community of outlook in the Commonwealth; (c) because in particular, though each country of the Commonwealth, and I include the United Kingdom, has its regional interests, all have a common interest in the maintenance of peace, and in expanding world economy.

The active foreign policy pursued by the various members of the Commonwealth at Paris and now in New York is a sign of the ever growing part they play in international affairs. Individually, in terms both of reputation and of power they have increased in stature during the war years. But recent conferences have shown that the position of each one of us is strengthened by co-operation with other members of the British Group. During the Paris Conference, to take one example, the delegates from the United Kingdom and the Dominions met informally but very frequently to discuss their proposed line of action. Such discussions with their pooling of individual points of view were of the utmost value.

5. Defence

We are all determined to give unwavering support to U.N.O. but, without departing from that general principle, and with the fullest desire to co-operate in making the United Nations Organisation an effective instrument for dealing with future international problems, we must recognise, particularly in view of our experiences of the working of the Organisation during the short time in which it has been in existence that it is not yet fully in a position to fulfil the task which we hope that it will in the end be able to carry out. We cannot leave out of account the general feeling of insecurity which exists, particularly in Europe. It is our duty, therefore, both for ourselves and to one another to consider how best the members of the Commonwealth can co-operate in the

maintenance of peace. Our ultimate reliance upon U.N.O. must not be allowed to prevent us from devoting adequate attention to the needs of our own security. Indeed, under the provisions of the Charter of U.N.O., we are called upon to be prepared to make contribution in the form of military strength for the purposes of the maintenance of peace. In framing our defence measures, therefore, we must bear in mind this obligation also.

Between the wars the main burden of defence was borne by the United Kingdom. To-day, though the burdens carried by the Dominions have increased with their responsibilities, that borne by the United Kingdom is still immense.

Differences of view and of emphasis are bound to exist, but the object of this system is to ensure that each of us is fully acquainted with the other's point of view and particular difficulties and problems. We are then able in discussions in the international field so to frame our statements as to take account of these differences of view and to ensure that divergences in detail do not hinder our general unity of object of common approach to world problems.

As the Prime Minister has recently explained, the maintenance of the forces required to fulfil our existing future military commitments will make it necessary to retain the system of compulsory military service. Equally, the financial burden imposed by these obligations is immense. Moreover, our man-power reserves are strictly limited, and the fact that so many potentially productive workers will have to remain in the forces does not ease the situation. For a country which incurred such enormous additions to its national debt during the war this is a formidable task. The fact is that during the war Britain lost half her shipping; sold a large proportion of her sterling investments; deliberately cut her export trade to one-third of its volume in the latter part of the war; incurred vast external indebtedness in the sterling area. This all suggests that the problem of defence needs to be looked at afresh in the light of our available resources. This indeed has received wide recognition and in the vulnerable Pacific area Australia and New Zealand have shown their appreciation of the problem and of our wide commitments. In the speech from the Throne at the opening of the Australian Parliament on 6th November it was stated that the organisation and strength of the post-war Australian defence forces will

proceed on the assumption that Australia will make a bigger contribution to the defence of the British Commonwealth and that this can best be done in the Pacific by a common scheme of defence agreed between the United Kingdom, Australia and New Zealand, plans being related to those of other nations with interest in that area. The contribution of the United States to any such scheme is all-important and the Australian Government point out that they would welcome an arrangement with the United States for the joint use of Pacific bases on the basis of reciprocity.

As you know well, we have already taken certain steps in this country to ensure both that our own military resources are most effectively disposed of and that there is the greatest possible liaison, consistent with individual responsibility for defence, with the Dominions. With regard to the former, one point in particular I would emphasise. As war has developed we have to take into account that it involves not simply the equipment of the Services but the life of the whole nation. Therefore, as I said in the debate in the Lords, it is "necessary to marry up to the Service considerations which would come before the Ministry of Defence those departments which would have to take account of the civil requirements which would emerge on the onset of war." The new Defence Committee will be therefore an effective ministerial body which will have certain responsibilities to Parliament. You will probably have noticed that in recent debates and press discussions on the subject of our new defence proposals, some criticism was directed against what was alleged to be a shortcoming on our part in the matter of arrangements for co-operation within the Commonwealth on this subject. These criticisms are in our view based on a complete misunderstanding of the position. What we design to achieve is not less but more and better co-operation at all levels and the machinery which we have suggested for the purpose, namely, the exchange of service liaison officers between the respective countries of the Commonwealth is in our view that best designed to achieve the objective. Normally it is for each country of the Commonwealth to decide for itself in the light of the knowledge which it possesses fully of its resources and capacity what measures can be taken to provide men and material for defence purposes. But, with the aid of a properly functioning liaison system, we should hope that in framing its policies and plans each country would be able to do so with full knowledge of what

others were doing and so be in a position to design its measures so as to fit in with others and ensure that if the emergency should arise in which once again joint action is called for, the machinery is ready to ensure that such joint action will be immediate and effective.

The decision must always in the last resort be that of the individual country whose Government and Parliament must decide for themselves. But what we hope to secure is that in so doing they will have the knowledge available of what others are doing and are able to do which alone will enable a right decision to be taken. On a minor point, some public regret has been expressed that we have called our new body a Defence Committee and have departed from the ancient title of "Committee of Imperial Defence." I should be the last to complain of a desire to retain ancient names and ancient ways. It is in fact the British tradition to retain what is old and still of value and to make the minimum alterations necessary to bring it into modern usefulness. But there comes a time when an old formula is liable to give a misleading impression, and that is the time when it should be discarded. What matters is the substance of co-operation and not the name.

In concluding on this subject which concerns you all so intimately I would like to emphasise that it is our policy to maintain the closest liaison with the Dominions on all defence problems, and the interchange of personnel between the United Kingdom and Dominion forces is a step very much in the right direction and I am sure that you have welcomed it. It is also the policy of this country and of the Dominions to co-operate with the United States. It is a case where co-operation is to our common advantage. The United States is a great peace-loving Power and has a vital rôle to play in the preservation of world peace.

6. Eire

I must now refer briefly to the special position of Eire. That country, exercising its undoubted freedom of choice, decided to adopt an attitude of neutrality in the war and adhered to that attitude throughout, notwithstanding strong representations from the United States after the United States had entered the war. The present position in its constitutional aspect is that the United Kingdom Government adhere to the declaration issued in December 1937, with the assent of the other Commonwealth Governments that the Constitution of 1937 effects no fundamental

change in Eire's relationship with the Commonwealth. But it would be unrealistic not to recognise that in this respect Eire's position differs markedly from that of other members. Mr. de Valera's views of the relationship of Eire to the Commonwealth, which he describes as external association, is not one which commands assent elsewhere, but it involves his acceptance, as recent public statements of his have implied, of the position that Eire does remain a member of the Commonwealth. His view that there should be a united Ireland to be formed by handing over to Eire the six counties of Northern Ireland is also one which we cannot accept. In our view the so-called Partition cannot be ended save by the consent of both parties in Ireland, and it is clear that it will be a long time before the majority in Northern Ireland change their views about reunion with the rest of Ireland.

Strategically during the war inability to use the sea and air bases on the Irish coast was a grave handicap, particularly serious during 1940-42. It is true to say that the situation was only saved by the fact that adequate bases were available in Northern Ireland. These bases were essential, not only for the maintenance of supplies to this country but also for the safe transport here of the United States forces which came across the Atlantic for the landings first in North Africa and then in Europe. On the other hand the picture is not altogether dark. Before the war Mr. de Valera had categorically affirmed that his country would not be used as a base for hostile forces, and in actual fact there was also no difficulty put in the way of those who wished to join the British forces. Concessions were privately made about aircraft landings, &c., which were of material value. Things, in fact, might have been a great deal worse even if also they might have been better.

One point is worth stating categorically and that is that the widespread impression that at some stage during the war Mr. de Valera was prepared to come in on the Allied side provided we would give reasonable assurances about the ending of Partition is altogether ill-founded. In fact Mr. de Valera's point of view, to which he adhered throughout, was that Ireland must first be reunited and given an opportunity of deciding what action she would take, with an implicit background that that decision would be in favour of neutrality. The decision of the Eire Government, with the support of all parties, to apply for membership of the United Nations Organisation is a hopeful

sign. We supported her application, but, as you know, Eire was not elected because of the opposition of the U.S.S.R.

7. Communications

There is one particular aspect of co-operation within the Commonwealth to which I might briefly refer. In a community of nations divided by immense geographical distances, the problem of communications is clearly of vital significance. It is of interest to notice how fully this need has been recognised in the practical measures of co-operation which the countries of the Commonwealth have taken or agreed to take. I would refer in passing to recent discussions on the question of communications by Cable and Wireless, and I would also mention the question of civil aviation. Clearly this modern development is one which, if properly used, can be of immense advantage to the various countries of the Commonwealth. By this means it is possible, as it was not before, for a much closer and more frequent interchange of visits and personal discussion to take place. I was told the other day, for example, that the time between Ottawa and London by air is no more than that between Ottawa and Washington by train.

It is not surprising, therefore, as I said, that the Commonwealth countries have come together to discuss on a co-operative basis the establishment of civil air communications between them. A real system for mutual consultation and co-operation on this basis has been worked out and is actively in operation.

8. Commonwealth Economic Problems

What I have said about our practice in relation to political and defence questions is also true of our approach to economic problems. Here, too, the members of the Commonwealth have developed a system of consultation, seeking by discussion among themselves to resolve their difficulties and thus to reach the greatest common measure of agreement. That there must be difficulties in this difficult sphere should be obvious; that these difficulties cannot all be resolved should be equally obvious. For in this sphere, perhaps above all others, it is inevitable that interests should diverge and there should be conflicts which all the goodwill in the world could not resolve. And here let me remind you of one thing which is not always realised. Despite wild talk by many persons—both distinguished and undistinguished—who apparently regard themselves as great authorities on

this question, the British Commonwealth is *not* an economic unit. It never has been; it is not to-day; it is not likely to be in the future. The plain fact is that inside the Commonwealth there is great economic diversity. Geographical, climatic, historical factors all make for this and there is no getting over it. There is, indeed, often competition between us, and he would be a fool who seeks to blind himself to this.

But the fact that our interests in some cases may diverge—that the economic interests of the different parts of the Commonwealth, owing to the divergent nature of their economies, are by no means identical—does not alter the fact that there is a very real inter-dependence between us. And in this field inter-dependence rests more on economics than on history. The United Kingdom is still the main market for the primary produce of the Dominions and the Dominions are still the main market for the manufactured goods of the United Kingdom. This was just as true of the Commonwealth before the Ottawa Conference as it is true to-day. And here let me say that, contrary to what some people are all too ready to assume and to say, the agreements reached in Ottawa were *not* high tariff agreements; on the contrary, they were low tariff agreements, the basic United Kingdom preference amounting to a mere 10 per cent.—and that in a world where high tariffs have been the order of the day.

This economic inter-dependence, apart altogether from political questions, naturally leads to the consultation and co-operation to which I have already referred. It always existed, but it reached a new high water mark during the dark years of the war when our co-operation on matters of trade and economics was very close indeed. When for one famous year the peoples of the Commonwealth stood alone against the aggressor, it was natural that they should seek to draw together in every sphere of activity; and that continued into the years when others had joined us. It continues to-day and its spirit is very evident in the discussions which are now proceeding in London for the elaboration of a multilateral international agreement on trade and employment. By this I do not mean to suggest that the members of the Commonwealth are—to use a common phrase—ganging up. They are not. But the very real community of interest between them naturally shows

forth at such a time. It is perhaps legitimate to hope that the contribution, which the Commonwealth countries are able to make to these discussions which transcend the Commonwealth, may serve to further the interests not only of the Commonwealth countries themselves but of all others who may join with them in the general agreement which we all hope to see emerge from the discussions.

9. Great Powers

No one should be deceived by the fact that the partners in the British Commonwealth go their different ways in matters of comparative detail. In the great essentials and at any time when a challenge to the free world is given, the Commonwealth will be united as in the past.

It is now nearly half a century since Lord Salisbury remarked that the outstanding development in the modern world was that the great Powers were becoming greater and the small Powers counting for less. Recent events have very much underlined the truth of this diagnosis, and there is now much question as to whether the United Kingdom remains a great Power in the sense that the U.S.S.R. and the United States are great Powers. I do not think that this sort of self-conscious questioning gets us very far. In New York I see that Field-Marshal Smuts recently commented that of the three big Powers it was said that the British group was not the equal of the others in war potential. He added “its contribution in human qualities of balance and moderation, good sense, good humour and fair play, moral purpose and outlook was of a very special character. They are worth more than scores of divisions, and without them divisions must ultimately fail.” That seems to me very true. The practice of measuring the resources of the great Powers purely on a material plane seems a very mistaken one and to ignore the lesson of 1940. Moreover, even in the field of actual and potential resources, the Commonwealth is very strong indeed. And the ever-growing intimacy of its relationship with the United States is a factor from which all peace-loving peoples may derive encouragement. As Bismarck said some seventy years ago the most important fact in the modern world is that the language of the United States is English.